New Issue *Book-Entry-Only*

$203,400,000
COUNTY OF SAN DIEGO
Certificates of Participation
(1993 Master Refunding)

Evidencing the Proportionate Interests of the Owners Thereof in a Lease Agreement, Including the Right to Receive Base Rental Payments to be Made Thereunder, by the County to the

SAN DIEGO COUNTY CAPITAL ASSET LEASING CORPORATION

$145,800,000 Fixed Rate Certificates
$15,800,000 Structured Yield Curve Certificates
$20,900,000 Auction Rate Certificates
$20,900,000 Yield Curve Certificates

~~Dated, priced,~~ evidencing interest at the rates and maturing in the years set forth on the inside cover page.

The Certificates evidence proportionate interests in a Lease Agreement (the "Lease"), to be entered into by the County of San Diego, California (the "County") and the San Diego County Capital Asset Leasing Corporation (the "Corporation"), including the right to receive Base Rental payments thereunder, relating to certain real property and the improvements located thereon, as more particularly described herein (the "Facilities"). The proceeds of the Certificates, together with other available funds, will be used to refund six separate lease revenue bond and lease certificate of participation issues presently outstanding in the aggregate principal amount of $186,665,000. The interest component of each Base Rental payment comprises the interest payable with respect to the Certificates. Interest is payable on March 1 and September 1 of each year, commencing September 1, 1993, until maturity or the earlier prepayment thereof.

The Certificates are subject to mandatory and extraordinary prepayment prior to their stated maturities as described herein. The Certificates are not subject to optional prepayment.

When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are Participants of DTC. The Certificates will not be transferable or exchangeable, except for transfer to another nominee of DTC as described herein. Principal and interest due with respect to the Certificates will be paid by State Street Bank and Trust Company of California, N.A., as Trustee, to DTC, which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM".

The County covenants in the Lease that, as long as the Facilities are available for the County's use and possession, it will make all Base Rental payments and other payments provided for therein, it will take such action as may be necessary to include all such payments in its annual budget, and it will make the necessary annual appropriations for such payments. Although the County covenants to maintain certain insurance policies under the Lease, the County's obligation to make Base Rental payments is subject to abatement in the event of damage or destruction to, or condemnation of, the Facilities or any portion thereof, or defects in title to the real property on which the Facilities are situated. See APPENDIX E—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement".

Payment of the principal and interest evidenced by the Certificates when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Certificates.

AMBAC
INDEMNITY CORPORATION

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of O'Melveny & Myers and Harrison, Taylor & Bazile, Co-Special Counsel, assuming compliance by the County with certain tax covenants described herein, the portion of each Base Rental payment designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and is exempt from personal income taxes of the State of California under present state law. However, interest is included in the computation of certain federal taxes on corporations. See "TAX EXEMPTION" herein.

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Certificates are offered when, as and if delivered to and received by the Underwriters, subject to the approval as to legality by O'Melveny & Myers and Harrison, Taylor & Bazile, Co-Special Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel. Certain legal matters will be passed upon for the Underwriters by Jones Hall Hill & White, A Professional Law Corporation. It is expected that the Certificates in definitive form will be delivered through the DTC book-entry system in New York, New York on or about May 27, 1993.

MORGAN STANLEY & CO.
Incorporated

PAINEWEBBER INCORPORATED

MERRILL LYNCH & CO.

SMITH BARNEY, HARRIS UPHAM & CO.
Incorporated

ARTEMIS CAPITAL GROUP, INC.

L. P. CHARLES & GOINGS, INC.

Dated: May 21, 1993

$203,400,000
COUNTY OF SAN DIEGO
Certificates of Participation
(1993 Master Refunding)

$145,800,000 Serial Fixed Rate Certificates

Dated: May 1, 1993 **Due: September 1, as shown below**

Interest evidenced by the Fixed Rate Certificates accrues from their date and is payable on September 1, 1993, and each March 1 and September 1 thereafter. Ownership interests in the Fixed Rate Certificates will be in denominations of $5,000 and integral multiples thereof.

MATURITY SCHEDULE

Maturity Date (September 1)	Principal Amount	Interest Rate	Price/Yield
1993	$ 6,475,000	2.50 %	2.35%
1994	9,305,000	3.00	100.00
1995	9,625,000	3.50	3.55
1996	9,675,000	3.875	3.95
1997	10,095,000	4.125	4.25
1998	10,550,000	4.375	4.45
1999	11,015,000	4.50	4.65
2000	$11,565,000	4.75 %	4.85%
2001	12,150,000	5.00	5.05
2002	12,770,000	5.00	5.15
2003	13,450,000	5.125	5.25
2004	14,180,000	5.25	5.35
2005	14,945,000	5.25	5.45

HQ

(Plus accrued interest from May 1, 1993)

$15,800,000 Structured Yield Curve Certificates

Dated: Date of Delivery **Due: September 1, as shown below**

Interest evidenced by the Structured Yield Curve Certificates ("SYCCs") is payable on September 1, 1993, and each March 1 and September 1 thereafter. Each maturity of the SYCCs will evidence interest from the delivery date until September 1, 1993 and thereafter to each ensuing interest payment date at the rates described herein, until the Conversion Date specified below, when interest evidenced by such SYCCs will be converted to the Fixed Rate to maturity described below. Ownership interests in the SYCCs will, until the applicable Conversion Date, be in denominations of $100,000 and integral multiples thereof and, from and after such Conversion Date, will be in denominations of $5,000 and integral multiples thereof.

Maturity Date (September 1)	Base Rate	Threshold Rate	Leverage Factor	Conversion Date (September 1)	Fixed Rate	Price
2006	5.25%	4.00%	3x	1998	5.25%	106.97%

$20,900,000 Auction Rate Certificates
$20,900,000 Yield Curve Certificates

Dated: Date of Delivery **Due: September 1, as shown below**

Interest evidenced by the Auction Rate Certificates ("ARCs") and Yield Curve Certificates ("YCCs") is payable on September 1, 1993, and on each March 1 and September 1 thereafter. The ARCs will evidence interest to the first interest payment date therefor at a rate determined by Morgan Stanley & Co. Incorporated on the Business Day immediately preceding the date of delivery plus the Service Charge Rate described herein and, to each such interest payment date thereafter, at rates determined through auction of ARCs as described herein. The interest rate evidenced by the YCCs for the Initial Interest Period will be a rate per annum to be determined by Morgan Stanley & Co. Incorporated on the Business Day immediately preceding the date of delivery. The interest rates evidenced by ARCs (including any applicable Service Charge Rate payable to third parties) and equal principal amounts of YCCs will total 11.00% per annum with respect to the Certificates due September 1, 2007 and 11.25% per annum with respect to the Certificates due September 1, 2012. Ownership interest in the ARCs and YCCs will be in denominations of $100,000 and integral multiples thereof. The ARCs are subject to mandatory tender for purchase at a price equal to 100% of the principal amount thereof and accrued interest with respect thereto on certain conditions described herein.

$6,200,000 Auction Rate Certificates due September 1, 2007 @ 100%
$6,200,000 Yield Curve Certificates due September 1, 2007 @ 100% HZ
$14,700,000 Auction Rate Certificates due September 1, 2012 @ 100%
$14,700,000 Yield Curve Certificates due September 1, 2012 @ 100% JE

COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

Brian P. Bilbray, Chairman	1st District
Dianne Jacob	2nd District
Pam Slater	3rd District
Leon L. Williams	4th District
John MacDonald	5th District

SAN DIEGO COUNTY CAPITAL ASSET LEASING CORPORATION BOARD MEMBERS

Barry I. Newman, Chairman

Hardy Kuykendall
Richard Nolan
Michael Anderson
Morris Slayen

COUNTY OFFICIALS

David E. Janssen, Chief Administrative Officer
Paul Boland, County Treasurer-Tax Collector
Dr. Robert Booker, Auditor and Controller
Lloyd M. Harmon, Jr., County Counsel

SPECIAL SERVICES

Financial Advisor

Public Financial Management, Inc.

Co-Special Counsel

O'Melveny & Myers
Harrison, Taylor & Bazile

Trustee

State Street Bank and Trust Company of California, N.A.
Los Angeles, California 144424

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the County, the Corporation or the Underwriters to give any information or to make any representations with respect to the Certificates, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, the Corporation, The Depository Trust Company and other sources that are believed to be reliable, but the Underwriters do not guarantee the accuracy or completeness of the information, and the information is not to be construed as a representation by the Underwriters. Except as it relates to the County, the information contained herein is not to be construed as a representation by the County; except as it relates to the Corporation, the information contained herein is not be construed as a representation by the Corporation; and except as it relates to The Depository Trust Company and the book-entry-only system, the information contained herein is not to be construed as a representation by The Depository Trust Company. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The order and placement of information in this Official Statement, including the Appendices, do not represent a determination of relative materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Certificates is made only by means of this entire Official Statement.

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. THE OFFERING OF THE CERTIFICATES TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO.

County of San Diego .... The County of San Diego is the southernmost major metropolitan area in the State of California, covering 4,255 square miles. The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region and a considerable defense-related presence. The County population as of January 1, 1992, was estimated to be 2,602,200, making it the second largest County by population in California and the seventh largest in the United States. The County's 1992/93 General Fund budget is $1.8 billion.

The Certificates .... $145,800,000 aggregate principal amount of the Certificates will be delivered as Fixed Rate Certificates, $15,800,000 aggregate principal amount of the Certificates will be delivered as Structured Yield Curve Certificates ("SYCCs"), $20,900,000 aggregate principal amount of the Certificates will be delivered as Auction Rate Certificates ("ARCs") and $20,900,000 aggregate principal amount of the Certificates will be delivered as Yield Curve Certificates ("YCCs").

Purpose .... The proceeds of the sale of the Certificates, together with other available funds, will be used to refund the Chula Vista Redevelopment Agency South Bay Regional Center 1979 Lease Revenue Bonds presently outstanding in the principal amount of $38,550,000, the El Cajon-San Diego County Civic Center Authority East County Regional Center 1986 Lease Revenue Refunding Bonds presently outstanding in the principal amount of $51,285,000, the San Diego County Capital Asset Leasing Corporation 1986 Refunding Leasehold Revenue Bonds (Health Services Complex) presently outstanding in the principal amount of $25,785,000, the San Diego County Capital Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (Capital Improvement Project) presently outstanding in the principal amount of $11,760,000, the County of San Diego Certificates of Participation (Clairemont Health Services Complex Project) presently outstanding in the principal amount of $18,540,000 and the County of San Diego 1991 Certificates of Participation, Series A presently outstanding in the principal amount of $40,745,000.

Facilities .... The Facilities will consist of the approximately 277,000 square foot South Bay Regional Center located in the City of Chula Vista; certain major office and court complexes used by the County located in the City of San Diego; the County Operations Center located in the City of San Diego consisting of approximately 400,000 square feet of office, shop and storage space; the 326,000 square foot, 10 story regional county government center located in the City of El Cajon; a major health service and psychiatric hospital located in the City of San Diego; three County office buildings totalling more than 40,000 square feet in the City of San Diego; the Housing and Community Development Building located in the City of San Diego; and a municipal court building located in downtown San Diego. Construction of all of the Facilities has been completed and the County has beneficial use and occupancy thereof.

The County estimates that the current value of the Facilities is in excess of $287,000,000.

Security .... The Certificates evidence proportionate interests of the Owners thereof in the Lease, including the right to receive Base Rental payments to be made thereunder by the County for the use and occupancy of the Facilities. Under the Lease, the County has covenanted to take such action as may be necessary to include and maintain all such Base Rental payments in its annual budget and to make annual appropriations therefor.

A Reserve Fund for the benefit of Certificate Owners will be funded out of Certificate proceeds in an amount equal to the Reserve Requirement (initially $18,965,250).

Certificate Insurance............ Simultaneously with the delivery of the Certificates, a municipal bond insurance policy will be issued by AMBAC Indemnity Corporation, which will provide for the timely payment of the principal and interest evidenced by the Certificates as the same shall become due.

Hazard Insurance .... Under the Lease, the County is required to maintain a policy of "all-risk" hazard insurance, including flood coverage but excluding earthquake coverage, in an amount equal to not less than the lesser of 100% of the replacement cost of the Facilities or the outstanding principal amount of Certificates, and rental interruption insurance in an amount equal to not less than two years' Base Rental payments. The County currently obtains such coverage as a joint insured with three other public agencies; the total coverage (including rental interruption insurance) available is $100 million ($50 million in the case of flood) per occurrence for all insureds.

Abatement .... Under the Lease, the obligation of the County to make Base Rental payments (other than from certain sources specified in the Lease) is subject to abatement in whole or in part if there is substantial interference with the County's right to use or occupancy of the Facilities or any portion thereof. The amount of the abatement will be such that the resulting Base Rental payments (other than those made from such specified sources) do not exceed the fair rental value of the portions of the Facilities as to which there is no such substantial interference.

Book-Entry Form .... The Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Ownership interests in the Fixed Rate Certificates may be purchased in denominations of $5,000 and integral multiples thereof, in book-entry form only. Ownership interests in the SYCCs may be purchased in denominations of $100,000 and integral multiples thereof, in book-entry form only. From and after the Conversion Date for the SYCCs, ownership interests in such SYCCs will be in denominations of $5,000 and integral multiples thereof. Ownership interests in the ARCs and YCCs may be purchased in denominations of $100,000 and integral multiples thereof, in book-entry form only.

Prepayment .... The Certificates are subject to mandatory and extraordinary prepayment prior to their respective principal payment dates as described herein. The Certificates are not subject to optional prepayment.

Additional Information .... Additional information regarding this Official Statement may be obtained from:

Ms. Peggy Goldstein, County Debt Manager
County of San Diego
Office of Special Projects
1600 Pacific Highway, Room 352
San Diego, California 92101
619-531-5278

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$203,400,000
COUNTY OF SAN DIEGO
Certificates of Participation
(1993 Master Refunding)

Evidencing the Proportionate Interests of the Owners Thereof
in a Lease Agreement, Including the Right to
Receive Base Rental Payments to Be Made Thereunder by the County to the
SAN DIEGO COUNTY CAPITAL ASSET LEASING CORPORATION

INTRODUCTION

The purpose of this Official Statement, which includes the front cover, Table of Contents and attached Appendices, is to provide certain information concerning the sale and delivery of the Certificates of Participation (1993 Master Refunding) (the "Certificates"), in the aggregate principal amount of $203,400,000 representing proportionate interests in Base Rental payments to be made by the County of San Diego, California (the "County") pursuant to a Lease Agreement, dated as of May 1, 1993 (the "Lease"), by and between the County and the San Diego County Capital Asset Leasing Corporation (the "Corporation") for certain real property and the buildings and improvements currently existing thereon (the "Facilities"). See "THE FACILITIES". The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of May 1, 1993 (the "Trust Agreement"), by and among the County, the Corporation and State Street Bank and Trust Company of California, N.A., as trustee (together with any successor appointed under the Trust Agreement, the "Trustee").

Payment of the principal and interest evidenced by the Certificates will be insured by a municipal bond insurance policy (the "Insurance Policy") issued by AMBAC Indemnity Corporation (the "Insurer"). See "CERTIFICATE INSURANCE". A specimen Insurance Policy is attached as APPENDIX L.

The County will acquire fee title to the Facilities by utilizing a portion of the proceeds of the sale of the Certificates and other available moneys to provide for the purchase price thereof. See "PLAN OF REFUNDING". The County will lease the Facilities to the Corporation pursuant to a Facilities Lease, dated as of May 1, 1993 (the "Facilities Lease").

Under the terms of an Assignment Agreement, dated as of May 1, 1993 (the "Assignment Agreement"), the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its right, title and interest (other than its right to indemnification and payment of its costs and expenses) in and to the Facilities Lease and the Lease, including the right to receive payments of Base Rental under the Lease.

The Trust Agreement, among other things, establishes the terms and conditions of the Certificates, certain funds and accounts in connection with the Certificates, provisions for the defeasance of all or a portion of the Certificates and the obligations of the Trustee with respect to the Certificates and the Lease. See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement".

Certificates in the aggregate principal amount of $145,800,000 will be delivered as Fixed Rate Certificates, Certificates in the aggregate principal amount of $15,800,000 will be delivered as Structured Yield Curve Certificates ("SYCCs"), Certificates in the aggregate principal amount of $20,900,000 will be delivered as Auction Rate Certificates ("ARCs") and Certificates in the aggregate principal amount of $20,900,000 will be delivered as Yield Curve Certificates ("YCCs"). See "THE CERTIFICATES".

Under the Lease, in consideration for the right to use and occupancy of the Facilities, the County is to make certain payments designated as Base Rental and certain other payments designated as Additional Rental, in the amounts, at the times and in the manner set forth in the Lease. Pursuant to the Trust Agreement, the Trustee is to distribute Base Rental payments received from the County as principal and interest evidenced by the Certificates. The County has covenanted in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental payments due thereunder in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental payments, except to the extent such payments are abated. See "SECURITY FOR THE CERTIFICATES – Base Rental Payments".

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The summaries or references to the Trust Agreement, the Lease, the Facilities Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms not otherwise defined herein will have the meanings given such terms in APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" under the caption "Defined Terms" or, if not defined therein, in the Trust Agreement.

THE FACILITIES

Description

The Facilities consist of a number of separate components located in different parts of the County. The County enjoys beneficial use and occupancy of all such components.

The first major component (the "South Bay Regional Center") of the Facilities is the approximately 277,000 square-foot multi-level regional County government center in the City of Chula Vista, and a companion 12,800 square foot central power plant. The South Bay Regional Center is located on approximately 15 acres and includes surface parking for more than 500 vehicles. The South Bay Regional Center houses municipal courts, pre-trial and pre-sentencing detention facilities and regional County operations of the Assessor, the Auditor and Controller, the District Attorney and the Public Defender. Construction of the South Bay Regional Center was completed in 1981. The South Bay Regional Center is located at 500 Third Avenue, Chula Vista, California 92010.

A second component (the "West Broadway Court Building") of the Facilities consists of a portion of the County facilities located at 220 West Broadway in the City of San Diego. The West Broadway Court Building includes County Courtrooms, jail facilities to hold as many as 150 inmates and a garage for County vehicles. Construction of the West Broadway Court Building was completed in 1960.

A third component (the "Operations Center") of the Facilities consists of the County Operations Center in the City of San Diego. The Operations Center is located on approximately 35 acres of land and consists of approximately 400,000 square feet of office, shop and storage space. Construction of the Operations Center, which is located at 5555 Overland Avenue, San Diego, California 92123, occurred in several increments between 1960 and 1970.

A fourth component (the "El Cajon Regional Center") of the Facilities consists of the ten floor regional County government center in the City of El Cajon. The El Cajon Regional Center includes a parking structure and houses regional offices of County government for the East County as well as municipal courts. The El Cajon Regional Center is locate at 250 East Main Street, El Cajon, California 92020 and construction was completed in 1982.

A fifth component (the "Health Services Complex") of the Facilities consists of a County public health facility and psychiatric hospital located in the City of San Diego. The psychiatric hospital contains approximately 55,000 square feet and houses four mental health care wards. The public health facility, which is adjacent to the hospital, is an approximately 140,000 square foot building that accommodates support operations for the hospital as well as public health outpatient clinics, a laboratory and offices. The building for the public health facility was purchased and remodeled by the County in 1985. Construction of the psychiatric hospital was completed in 1989. The Heath Services Complex is located at 3851 Rosecrans Street, San Diego, California 92110.

A sixth component (the "Topaz Complex") of the Facilities consists of various offices used for County Operations located in the City of San Diego. The Topaz Complex, which was purchased in 1992, includes office buildings aggregating more than 40,000 square feet. The Topaz Complex is located at 9335 Hazard Way, San Diego, California 92123. The Topaz Complex is recent construction and is used for essential County services.

A seventh component (the "HCD Building") of the Facilities consists of a building housing the County Department of Housing and Community Development located in the City of San Diego. The HCD Building is located at 3989 Ruffin Road, San Diego, California 92123. The HCD Building is recent construction and is used for essential County services.

An eighth component (the "Downtown Court Building") consists of a municipal court building in downtown San Diego. The Downtown Court Building is located at 1409 4th Avenue, San Diego, California 92101. The Downtown Court Building is recent construction and is used for essential County services.

The County estimates that the current value of the Facilities is as follows:

South Bay Regional Center	$55,000,000
West Broadway Court Building	80,000,000
Operations Center	47,000,000
El Cajon Regional Center	65,000,000
Health Services Complex	25,000,000
Topaz Complex	3,000,000
HCD Building	6,000,000
Downtown Court Building	6,000,000
Facilities Total	$287,000,000

Release or Substitution

The Lease provides that, upon compliance with the conditions specified therein, the County may release from the Lease and Facilities Lease any portion of the Facilities or substitute other property and improvements for the Facilities if the annual fair rental value of the property which will comprise the Facilities after such release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Year or in any subsequent Lease Year. See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

PLAN OF REFUNDING

The County plans to apply a portion of the proceeds of the sale of the Certificates, together with other available funds, to refund all of the outstanding principal amount of the following issues: Chula Vista Redevelopment Agency South Bay Regional Center 1979 Lease Revenue Bonds (the "1979 Bonds"), El Cajon- San Diego County Civic Center Authority East County Regional Center 1986 Lease Revenue Refunding Bonds (the "1986 Authority Bonds"), San Diego County Capital Asset Leasing Corporation 1986 Refunding Leasehold Revenue Bonds (Health Services Complex) (the "1986 SANCAL Bonds"), San Diego County Capital Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (the "1989 Bonds"), the County of San Diego Certificates of Participation (Clairemont Health Services Complex Project) (the "1989 COPs") and County of San Diego 1991 Certificates of Participation (the "1991 COPs"). Collectively, the 1979 Bonds, the 1986 Authority Bonds, the 1986 SANCAL Bonds, the 1989 Bonds, the 1989 COPs and the 1991 COPs are referred to as the "Refunded Obligations". Following is a table setting forth the outstanding principal amount, redemption date, redemption price and final maturity date with respect to each issue of the Refunded Obligations.

Refunded Obligation	Dated Date	Outstanding Principal Amount	Redemption Date	Redemption Price	Final Maturity Date
1979 Bonds	7/1/79	$38,550,000	7/1/93	100 1/4-103%	1/1/07
1986 Authority Bonds	9/1/86	51,285,000	12/1/96	102	12/1/07
1986 SANCAL Bonds	12/1/86	25,785,000	12/1/96	102	12/1/10
1989 Bonds	3/1/89	11,760,000	8/1/95	103	8/1/08
1989 COPs	12/1/89	18,540,000	12/1/98	102	12/1/10
1991 COPs	4/15/91	40,745,000	8/1/99	100	8/1/12

Pursuant to the Escrow Agreement, dated as of May 1, 1993 (the "Escrow Agreement"), between the County and State Street Bank and Trust Company of California, N.A., as escrow bank (the "Escrow Bank"), principal and interest with respect to each issue of the Refunded Obligations will be paid, as and when due, through and including the Redemption Date for such issue and the remaining outstanding Refunded Obligations of such issue will be redeemed on the Redemption Date for such issue at the Redemption Price of such issue.

A portion of the proceeds of the sale of the Certificates, together with other available funds, will be applied to the purchase of certain direct obligations of the United States of America to be deposited with the Escrow Bank under the Escrow Agreement. The Escrow Agreement will require the Escrow Bank to apply the principal of and interest on such obligations, together with other moneys held by it under the Escrow Agreement, to the payment or redemption of the Refunded Obligations on the dates specified in the Escrow Agreement and all principal, interest and premium due on the Refunded Obligations to the specified payment dates or Prepayment Dates. Upon the deposit with the Escrow Bank of such direct obligations of the United States, the Refunded

Obligations will be defeased and will be deemed to have been paid and to be no longer outstanding, and the County will have no further obligations with respect thereto except to cause amounts on deposit with the Escrow Bank to be applied to the payment thereof. Grant Thornton, a firm of independent certified public accountants, will verify the arithmetical accuracy of certain computations relating to the sufficiency of amounts to be deposited under the Escrow Agreement and subsequent earnings thereon to be used to pay the Refunded Obligations. See "VERIFICATION".

Upon defeasance of the 1979 Bonds, the County will acquire fee title to the South Bay Regional Center. Upon defeasance of the 1986 Authority Bonds, the County will acquire fee title to the El Cajon Regional Center. Upon defeasance of the 1986 SANCAL Bonds, the County will acquire fee title to the Health Services Complex. Upon defeasance of the 1989 Bonds, the County will acquire fee title to the Operations Center. Upon defeasance of the 1991 COPs, the County will acquire fee title to the West Broadway Court Building and the Topaz Complex. Concurrently, with such defeasances, the Facilities will be leased by the County to the Corporation pursuant to the Facilities Lease and leased by the Corporation back to the County pursuant to the Lease.

SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the Certificates are anticipated to be as follows:

Sources of Funds:	
Principal Amount of Certificates	$203,400,000.00
Original Issue Premium	120,851.75
Accrued Interest (1)	472,345.97
Amounts Held in Refunded Obligations Trust Funds(2)	22,791,410.15
Total Sources	$226,784,607.87
Uses of Funds:	
Deposit to Escrow Fund for Refunded Obligations	$202,661,367.89
Deposit to Administrative Expense Fund	20,000.00
Deposit to Interest Account (1)	472,345.97
Deposit to Reserve Fund (3)	18,965,250.00
Costs of Issuance (4)	4,665,644.01
Total Uses	$226,784,607.87

(1) Represents accrued interest with respect to the Fixed Rate Certificates from May 1, 1993 to the Closing Date.

(2) Includes amounts held in the various funds and accounts for the Refunded Obligations.

(3) Equal to the Reserve Requirement.

(4) Includes Costs of Issuance, Underwriters' discount, Certificate insurance premium and premium with respect to Structured Yield Curve Certificates.

THE CERTIFICATES

General

The Certificates will be delivered in the form of fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in the denominations hereinafter set forth. While DTC acts as securities depository for the Certificates, all payments of principal, premium, if any, and interest with respect to the Certificates will be made to Cede & Co., as nominee of DTC. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM".

Fixed Rate Certificates

The Fixed Rate Certificates will be dated May 1, 1993. Interest will accrue with respect to the Fixed Rate Certificates at the rates per annum set forth on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 of each year, commencing September 1, 1993 (each such date, a "Payment Date"). The Fixed Rate Certificates will be delivered in denominations of $5,000 or any integral multiple thereof. Interest will accrue with respect to the Fixed Rate Certificates on the basis of a year of 360 days comprised of twelve 30-day months. The Fixed Rate Certificates will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement.

Structured Yield Curve Certificates

The SYCCs will be dated the date of initial delivery. The SYCCs will mature on the date and in the principal amount set forth on the inside cover page of this Official Statement.

Interest with respect to the SYCCs will be payable on the Payment Dates, and will be computed on the basis of a year of 360 days comprised of twelve 30-day months.

The SYCCs will evidence interest prior to the Conversion Date therefor during each period (a "Calculation Period") from the date of initial delivery or any Payment Date therefor (or in the case of the last Calculation Period, through the day prior to the Conversion Date)through the day prior to the next Payment Date therefor at a rate equal to the per annum Base Rate for the SYCCs specified on the inside cover page of this Official Statement plus three times the greater of (i) zero and (ii) the Index Rate (described below) for such Calculation Period minus 4.00% per annum (the "Threshold Rate") (the "Embedded Cap Rate"), provided, however, that if the Embedded Cap Rate for any such date as so determined is greater than the maximum rate of interest per annum which may be charged or collected pursuant to applicable State or Federal Law (the "Maximum Rate"), the Embedded Cap Rate for such date shall equal the Maximum Rate, all as determined in connection with the marketing of the SYCCs. From and after the Conversion Date the SYCCs will evidence interest at the per annum Fixed Rate specified on the inside cover page of this Official Statement.

The SYCCs will be delivered in denominations of $100,000 or any integral multiple thereof until the Conversion Date. From and after the Conversion Date, the SYCCs will be delivered in fully registered form in denominations of $5,000 or any integral multiple thereof.

The "Index Rate" for purposes of calculating the rate of interest with respect to SYCCs will be the weighted daily average of the PSA Index Rate or, if the PSA Index is not available, the rate determined by the Market Agent as described blow. The "PSA Index Rate" for each Calculation

Period will be the per annum rate (expressed as a decimal) equal to the arithmetic mean of the Relevant Rates in effect for each day in that Calculation Period, calculated by multiplying each such Relevant Rate by the number of days such Relevant Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Calculation Period. For such purposes, "Relevant Rate" means, for any day, a per annum rate, expressed as a decimal, equal to (i) the Index, if such day is a Reset Date, and (ii) the Relevant Rate for the next preceding Reset Date, if such day is not a Reset Date; "Reset Date" means each Thursday (and, if the date of initial delivery of the SYCCs is a day other than a Thursday, the Thursday next preceding the date of initial delivery of the SYCCs) or, if any Thursday is not a Business Day, the first succeeding Business Day; and "Index" means the PSA Municipal Swap Index announced by Municipal Market Data (the "SYCC Indexing Agent") on Thursday in each calendar week or, if Thursday is not a Business Day, the next succeeding Business Day, and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specific criteria established by the Public Securities Association. Any such Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days' notice, the interest on which under the Internal Revenue Code of 1986, as amended, is excluded from gross income for federal income tax purposes. The Index shall not include any bonds the interest on which is subject to any personal "alternative minimum tax" or similar tax, unless all tax-exempt bonds are subject to such tax.

In the event that at any time Municipal Market Data ceases to announce the Index, makes a material change (in the judgment of Morgan Stanley & Co. Incorporated, as Market Agent) in the formula for or the method of calculating the Index, or in any other way materially modifies (in the judgment of the Market Agent) the Index, under the Market Agent Agreement the Market Agent will make, or will designate an alternate indexing agent to make, such calculations as may be required to determine the relevant Index using a formula and method of calculating such Index that it reasonably believes will produce the rate that would have been produced by Municipal Market Data as in effect prior to such cessation, change or modification.

Neither the Public Securities Association nor Municipal Market Data is a party to any of the documents related to the SYCCs, neither has any responsibility for the SYCCs and neither has any obligation to continue to calculate or publish the Index. Neither the Public Securities Association nor Municipal Market Data nor any other party makes any warranty as to the results to be obtained from the use of the Index in connection with the SYCCs.

Simultaneously with the delivery of the SYCCs, the County is entering into a Rate Swap Transaction with respect to the SYCCs with Morgan Stanley Capital Services ("MSCS"). After crediting amounts paid to or from MSCS pursuant to the Rate Swap Transaction, the County's net interest obligation with respect to the SYCCs will effectively be a fixed rate obligation. MSCS is an affiliate of Morgan Stanley & Co. Incorporated, one of the Underwriters of the Certificates and the Market Agent. Such Rate Swap Transaction will be an obligation between the County and MSCS only. Owners will not be a party to such agreements and shall have no recourse to MSCS or Morgan Stanley & Co. and no rights to payments made by either the County or MSCS under such Rate Swap Transaction.

Prospective purchasers of SYCCs should note that, while such SYCCs evidence interest at the Embedded Cap Rate, interest accrues daily, but interest is paid semiannually based on the Base Rate plus the average of the Index Rate over the past six months minus the Threshold Rate (which difference cannot be less than zero). As a result, if (i) a purchaser purchases a SYCC between Payment Dates for SYCCs while such SYCC evidences interest at the Embedded Cap Rate, (ii) the Index Rate has been greater than the Threshold Rate for the period from the last such Payment Date to the date of purchase, and (iii) such purchaser purchases such SYCC at par plus accrued interest, such purchaser will receive less than the Base Rate for the period from the purchase date to the next Payment Date for SYCCs if the PSA Index Rate is below the Threshold Rate for such period.

Auction Rate Certificates and Yield Curve Certificates

The ARCs and YCCs will be dated the date of initial delivery. The ARCs and YCCs will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement.

The following information is a summary of the information concerning the ARCs and YCCs appearing in Appendices H, I, J, and K. Reference should be made to such Appendices for a more complete description of the ARCs and YCCs. Capitalized terms not otherwise defined herein shall have the meanings stated in APPENDIX E or H.

General. The ARCs and the YCCs will be delivered in denominations of $100,000 or any integral multiple thereof. Beneficial ownership of the ARCs may only be acquired after execution and delivery of a Master Purchaser's Letter to the Auction Agent in the form included as APPENDIX K. Prospective purchasers of ARCs who have previously executed and delivered a Master Purchaser's Letter to a Broker-Dealer may purchase ARCs without delivering an additional Master Purchaser's Letter. The transfer of beneficial ownership interests in the ARCs is subject to certain restrictions described in APPENDIX H. The ARCs and the YCCs of the same maturity will be executed and delivered in equal aggregate principal amounts and will mature or be prepaid in equal aggregate principal amounts.

Interest with respect to the ARCs and the YCCs will accrue at variable rates payable on the Payment Dates, provided, however, that if a Payment Date is not a Business Day, interest due on such Payment Date will be payable on the first Business Day immediately succeeding such Payment Date. Interest with respect to the ARCs and the YCCs due on each Payment Date therefor will be payable to the Holders thereof as of the Regular Record Date (as defined below) preceding such Payment Date. Interest on the ARCs and the YCCs will be computed using a year of 360 days, comprised of twelve 30-day months.

ARCs Interest. Interest with respect to the ARCs will accrue at the Applicable ARC Rate. For the period from and including the date of initial delivery to and excluding the initial Payment Date (the "Initial Interest Period") the Applicable ARC Rate for the ARCs will be a per annum rate to be determined by Morgan Stanley & Co. Incorporated on the Business Day immediately preceding the Date of Delivery plus the Service Charge Rate (initially, .28% per annum). Except as described below, thereafter, from and including each Payment Date for ARCs to and excluding the next succeeding Payment Date or the applicable maturity or prior prepayment date (each an "Interest Period"), the Applicable ARC Rate will equal the sum of the Auction Rate, determined as provided in APPENDIX I, and the Service Charge Rate. The Auction Rate for each Interest Period will be determined on the first Business Day preceding each Payment Date (an "Auction Date") pursuant to a dutch auction (an "Auction"), but may not be more than the Maximum Rate or less than the Minimum Rate. If an Auction is not held on an Auction Date because all of the ARCs and the YCCs are Linked on the 15th day of the month (whether or not a Business Day) immediately preceding such Auction Date (a 'Regular Record Date'), the Applicable ARC Rate for the next succeeding Interest Period will be the Reference Rate specified on the inside cover page of this Official Statement divided by 2. If an Auction is not held on an Auction Date because a Payment Default shall have occurred and shall not have been cured on or immediately after the Auction Date, the Applicable ARC Rate for the ensuing Interest Period will be the Default Rate on the first day of such Interest Period plus, in the case of the first such Interest Period, the Service Charge Rate. If an Auction is not held on an Auction Date because ownership of the ARCs is no longer maintained in book-entry form by DTC, the Applicable ARC Rate for the ensuing Interest Period will be equal to the Maximum Rate on the Business Day preceding such Interest Period. If an Auction is not held on an Auction Date for any other reason (e.g., because the Auction Agent has resigned and no successor has been appointed or any other event beyond the County's control shall occur which prevents the Auction from being held), the Applicable ARC Rate for the next succeeding Interest Period will be the Maximum Rate on such Auction Date plus the Service Charge Rate. In no event will the Applicable ARC Rate exceed the lesser of (i) the Reference Rate and (ii) the maximum rate permitted by applicable law. Whenever the Applicable ARC Rate includes the Service Charge Rate during any Interest Period, a Service Charge will be deducted from the interest paid to the Holders of ARCs on the next Payment Date for ARCs and will be paid for the account of such Holders to the Auction Agent and the Broker-Dealers to compensate them for services rendered in connection with Auctions.

YCCs Interest. The interest rate with respect to the YCCs for the Initial Interest Period will be a per annum rate to be determined by Morgan Stanley & Co. Incorporated on the Business Day immediately preceding the Date of Delivery. For each Interest Period thereafter, the interest rate with respect to the YCCs will be the excess of the Reference Rate over the Applicable ARC Rate. In no event will such interest rate be less than zero percent or more than the Reference Rate. Any increase in the Service Charge Rate resulting from an increase in the Broker-Dealer Fee or the Auction Agent Fee will result in an increase in the Applicable ARC Rate and a corresponding reduction in the interest rate with respect to the YCCs. See "Special Considerations" in APPENDIX H.

Beneficial owners of ARCs and YCCs may obtain information on the interest rate with respect to the ARCs and the YCCs for each Interest Period by contacting their Broker-Dealer or the Auction Agent during normal business hours.

Linkage. Owners who hold equal aggregate principal amounts of ARCs and YCCs of the same maturity may Link such ARCs and YCCs by requesting that such ARCs and YCCs be Linked at any time other than during Closed Periods, which extend from (i) immediately prior to the opening of business on the Date of Delivery to immediately prior to the opening of business on the first Payment Date, (ii) 11:00 a.m., New York City time, on the Business Day immediately preceding each Regular Record Date to immediately prior to the opening of business on the related Payment Date and (iii) from 11:00 a.m., New York City time, on the Business Day immediately preceding each Redemption Record Date for ARCs immediately prior to the opening of business on the related prepayment date. The interest rate with respect to Linked ARCs and YCCs for any Interest Period, if such Linked ARCs and YCCs were Linked on the Auction Date for such Interest Period, will be one-half (1/2) of the Reference Rate or 11.00% per annum for the ARCs and YCCs due September 1, 2007 and 11.25% per annum for the ARCs and YCCs due September 1, 2012. Owners of Linked ARCs and YCCs may separate the Linked ARCs and YCCs into ARCs and YCCs by requesting that such ARCs and YCCs be separated at any time other than during a Closed Period. See "Special Considerations" in APPENDIX H.

Mandatory Tender of ARCs. Beneficial owners of YCCs at any time, and from time to time, may notify a Broker-Dealer that such beneficial owners desire to purchase a specified principal amount of ARCs equal to $100,000 or any integral multiple thereof of the same maturity on the Business Day specified in such notice (a "Tender Date") at a price equal to the principal amount of the ARCs being purchased plus accrued interest to the Tender Date. Such Tender Date shall not be less than thirty Business Days after the date of such Tender Demand and shall not be later than the Business Day next preceding the first day of the next Closed Period. There is no corresponding right of beneficial owners of ARCs to require mandatory tender of YCCs. See APPENDIX H.

Restrictions. As a condition to purchasing ownership interests in ARCs that are not Linked with YCCs, in an Auction or otherwise, each prospective purchaser of ownership interests in ARCs or its Broker-Dealer will be required to sign and deliver to the Auction Agent a Master Purchaser's Letter in the form included as APPENDIX K. ARCs which are Linked with YCCs will not be subject to the restrictions on transfer of beneficial ownership contained in the Master Purchaser's Letter, and beneficial ownership thereof may be transferred, together with the beneficial ownership of the YCCs with which they are Linked, to a person who has not signed a Master Purchaser's Letter. Each prospective purchaser should ask its Broker-Dealer whether such prospective purchaser should sign a Master Purchaser's Letter.

Special Considerations. Prospective purchasers of ownership interests in the ARCs and the YCCs should review the discussion under "Special Considerations" in APPENDIX H.

Prepayment

Optional Prepayment. The Certificates are not subject to optional prepayment.

Mandatory Prepayment of ARCs and YCCs. The ARCs and the YCCs maturing September 1, 2012 are subject to prepayment through mandatory sinking fund installments on September 1 in the years and in the respective aggregate principal amounts set forth below at a prepayment price equal to 100% of the principal amount thereof plus accrued interest to the prepayment date, without premium:

	Principal Amount	
Year	ARCs	YCCs
2008	$3,800,000	$3,800,000
2009	3,500,000	3,500,000
2010	3,700,000	3,700,000
2011	1,800,000	1,800,000
2012	1,900,000	1,900,000

Selection of ARCs and YCCs to be Prepaid. The aggregate amount of the ARCs and YCCs to be prepaid will be selected first from Regular Linked Securities and from Newly Linked Securities proportionally in accordance with the relative amounts thereof, any remaining amount of YCCs to be prepaid shall be selected from YCCs and the remaining ARCs to be prepaid shall be selected from ARCs and Newly Separated ARCs (all on a pro rata basis in accordance with the relative principal amounts thereof) on the Redemption Record Date.

Extraordinary Mandatory Prepayment. The Certificates will be prepaid prior to maturity in whole or in part on any date, at a prepayment price equal to the principal amount thereof plus accrued but unpaid interest to the prepayment date without premium, from proceeds of insurance or condemnation awards deposited in the Prepayment Account pursuant to the Trust Agreement.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the extraordinary mandatory prepayment of Certificates, as described above, and less than all Outstanding Certificates are to be prepaid, the Trustee will select Certificates for prepayment proportionally by maturity. Within a maturity, the Trustee will select Certificates for prepayment by lot. Prepayment by lot will be in such manner as the Trustee determines; provided, however, that the portion of any Certificate to be prepaid will be in an Authorized Denomination. The provisions of this paragraph are subject to the provisions set forth above under "*Selection of ARCs and YCCs to be Prepaid*".

Notice

The Trust Agreement provides that notice of prepayment is to be given by the Trustee by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the date fixed for prepayment to the Owners of Certificates designated for prepayment, in whole or in part, at their addresses appearing on the Certificate Register as of the close of business on the day before such notice of prepayment is given; provided that any such notice to an Owner of at least $1,000,000 of principal amount of the Certificates will be given by certified mail, return receipt requested, postage prepaid. As long as a book-entry method is used for the Certificates, such notice will be sent by the Trustee to the securities depository for the Certificates in such manner as will be specified in the representation letter described in the Trust Agreement or as otherwise instructed by the securities depository, initially DTC or its nominee. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM".

The Trust Agreement provides that, if a book-entry system is no longer being used for the Certificates, notice of prepayment is also to be given to certain securities depositories and information services and published in *The Bond Buyer* or other financial newspaper or journal. Neither the failure of any Owner to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the prepayment of Certificates. If notice of prepayment is given as provided in the Trust Agreement and sufficient moneys are held by the Trustee for the prepayment of all the Certificates, or portions thereof, to be prepaid, interest with respect to such Certificates, or portions thereof, to be prepaid will cease to accrue from and after the prepayment date.

CERTIFICATE INSURANCE

General

The full text of a specimen Insurance Policy is set forth in APPENDIX L. The information relating to the Insurer and the Insurance Policy contained below has been furnished by AMBAC Indemnity Corporation and none of the County, the Corporation or the Underwriters have undertaken any independent investigation of the operations of the Insurer. No representation is made herein by the County, the Corporation or the Underwriters as to the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The County, the Authority and the Underwriters make no representation as to the ability of the Insurer to make payments under the Insurance Policy.

AMBAC Indemnity Corporation

The Insurer is a Wisconsin-domiciled stock insurance corporation, regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and licensed to do business in 50 states, the District of Columbia and the Commonwealth of Puerto Rico, with admitted assets of approximately $1,725,000,000 (audited) and statutory capital of approximately $963,000,000 (unaudited) as of March 31, 1993. Statutory capital consists of the Insurer's statutory contingency reserve and policyholders' surplus. The Insurer is a wholly-owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's Investors Service, Inc. and Standard & Poor's Corporation have both assigned a triple-A claims-paying ability rating to the Insurer.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

The Insurer has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of the Insurer has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in the Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the municipal obligor with respect to the Certificates.

The Insurer makes no representation regarding the Certificates or the advisability of investing in the Certificates and makes no representations regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by the Insurer and presented under the heading "CERTIFICATE INSURANCE" and in APPENDIX L hereto.

Payment Pursuant to Insurance Policy

The Insurer has made a commitment to issue the Insurance Policy effective as of the date of delivery of the Certificates. Under the terms of the Insurance Policy, the Insurer will pay to the United States Trust Company of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal and interest evidenced by the Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Certificates and, once issued, cannot be cancelled by the Insurer.

The Policy will insure payment only on stated maturity dates and mandatory sinking fund redemption dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Certificates, the Insurer will remain obligated to pay principal and interest evidenced by the Certificates on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates.

In the event the Trustee has notice that any payment of principal or interest evidenced by a Certificate which has become Due for Payment and which is made to a Certificate Owner by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Insurance Policy does not insure any risk other than Nonpayment, as defined in the Insurance Policy. Specifically, the Insurance Policy does not cover:

1. Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. Payment of any redemption, prepayment or acceleration premium; or

3. Nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Insurance Policy, payment of principal requires surrender of Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Certificates to be registered in the name of the Insurer to the extent of the payment under the Insurance Policy. Payment of interest pursuant to the Insurance Policy requires proof of Certificate Owner's entitlement to interest payments and an appropriate assignment of the Certificate Owner's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Certificates or right of payment of principal or interest evidenced by such Certificate and will be fully subrogated to the surrendering Certificate Owner's rights to payment.

In the event that the Insurer were to become insolvent, any claims arising under the Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES

Base Rental Payments

The Certificates evidence proportionate interests of the Owners thereof in the Lease, including the right to receive Base Rental payments to be made by the County thereunder. The County is required under the Lease to make Base Rental payments from legally available funds. The County has covenanted in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental with respect to the Facilities in its annual budget and to make the necessary annual appropriations therefor (except to the extent such payments are abated).

The Trustee, pursuant to the Trust Agreement, will receive Base Rental payments for the benefit of the Certificate Owners. The Trustee will not have any obligation or liability to the Owners to make payment of principal, premium, if any, or interest with respect to the Certificates except from Base Rental payments by the County under the Lease or other amounts available to it under the Trust Agreement for such purposes; and the amounts of such payments will be limited to amounts designated as principal and interest with respect to the Certificates. Additional Rental payable by the County under the Lease includes amounts sufficient to pay certain taxes and assessments, insurance premiums, and certain administrative costs. Base Rental and Additional Rental payments are subject to abatement in the event of material damage to or destruction or condemnation of the Facilities or a portion thereof, or defects in title to the real property on which the Facilities are situated. The County is also responsible for the repair and maintenance of the Facilities to the extent provided in the Lease.

Subject to the provisions of the Lease relating to abatement, the Lease provides that the obligation of the County to make Base Rental and Additional Rental payments will be absolute and unconditional and such Base Rental and Additional Rental payments will not be subject to set-off or counterclaim. The Lease provides that the covenants of the County thereunder are deemed to be ministerial duties imposed by law, and it further provides that it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in the Lease. The Lease provides that the County will pay Base Rental from legally available funds.

See APPENDIX D – "BASE RENTAL PAYMENTS" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

Reserve Fund

The Reserve Fund will be funded from the proceeds of the sale of the Certificates in the amount of the Reserve Requirement. If on the Business Day prior to any Payment Date the amount in the Base Rental Account in the Certificate Fund is less than the principal and interest payments due with respect to the Certificates on such date, the County will transfer to the Trustee from the Reserve Fund and the Trustee will transfer to the Principal Account and Interest Account, respectively, of the Certificate Fund amounts sufficient to make up such deficiencies.

To the extent that such amounts are not required to pay past due principal or interest with respect to the Certificates, draws on the Reserve Fund will be replenished from delinquent Base Rental payments and any proceeds of rental interruption insurance and liquidated damages with respect to the Facilities.

At the option of the County, upon compliance with the conditions specified in the Trust Agreement, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Credit Facility with the Trustee in a stated amount equal to the amounts so substituted.

See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Trust Agreement".

Insurance

The Lease provides that the County will provide insurance for the Facilities to the extent set forth therein, including insurance known as "all risk", including flood but not including earthquake, in an amount not less than the lesser of the full replacement value of the Facilities or the aggregate principal amount of the Certificates at such time Outstanding, with a deductible not to exceed $100,000 per occurrence, except for flood, in which case the deductible may not exceed $250,000 per occurrence. The Lease provides that the County will maintain rental interruption insurance throughout the term of the Lease so that in the event Base Rental payments are abated due to any of the hazards covered by the insurance required pursuant to the Lease, moneys will be available in an amount sufficient to make Base Rental payments under the Lease for at least two years. However, under the Lease, the County may obtain such coverage as a joint insured with one or more other public agencies, provided that the total coverage (including rental interruption insurance) available to all insureds is not less that $100 million ($50 million in the case of flood). The Lease provides that the County may self-fund against certain risks. Casualty insurance proceeds are to be applied at the option of the County to the repair, restoration, or replacement of the Facilities or to the prepayment of Base Rental payments.

The County obtained title insurance for each component of the Facilities that was financed from the proceeds of a Refunded Obligation at the time of such financing. New policies of title insurance will not be obtained in connection with the execution and delivery of the Certificates.

See APPENDIX B – "COUNTY OF SAN DIEGO FINANCIAL INFORMATION – Risk Management" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

SPECIAL CONSIDERATIONS RELATING TO THE CERTIFICATES

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates.

Limited Obligation

The obligation of the County to make Base Rental or Additional Rental payments under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental or Additional Rental payments under the Lease constitutes an indebtedness of the County, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

See APPENDIX E – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

Base Rental Payments

The Base Rental payments and other payments due under the Lease (including insurance, payment of costs of repair and maintenance of the Facilities, taxes and other governmental charges and assessments levied against the Facilities) are not secured by any pledge of taxes or other revenues of the County but are payable from any funds lawfully available to the County. The County may incur other obligations in the future payable from the same sources as the Certificates. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental payments. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIB of the California Constitution".

Abatement

Except to the extent of (i) amounts held by the Trustee in the Interest Account or Principal Account of the Certificate Fund or by the County in the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental and Additional Rental payments due under the Lease will be subject to abatement in accordance with the Lease during any period in which, by reason of material damage or destruction to, or condemnation of, the Facilities or any portion thereof, or defects in title to the real property on which the Facilities are situated, there is substantial interference with the use and right of possession by the County of the Facilities or any portion thereof. The Lease provides that the amount of rental abatement will be such that the resulting Base Rental payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Facilities as to which such damage, destruction, condemnation, or title defects do not substantially interfere with the County's use and right of possession, as evidenced by a certificate of a County representative. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Facilities to tenantable condition.

Such abated Base Rental payments, together with other moneys legally available to the Trustee, including moneys from the Reserve Fund, rental interruption insurance, and liquidated damages, if any, may not be sufficient to pay principal and interest evidenced by the Certificates in full as and when payable. In such an event, all Certificate Owners would forfeit a pro rata portion of interest attributable to abated Base Rental payable during the period of abatement and, to the extent Certificates mature during a period of abatement, the Owners of such Certificates would forfeit a pro rata portion of principal attributable to such abated Base Rental payments. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Lease, or the Certificates.

See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

Insurance

The County currently obtains "all risk" casualty insurance and rental interruption insurance for the Facilities as a joint insured with the City of San Diego, the San Diego Transit Commission and the San Diego Housing Commission. Such coverage (including rental interruption coverage) is subject to an aggregate per occurrence limitation of \$100 million (\$50 million in the case of flood) for all insureds. The estimated value of all joint insureds' covered facilities is approximately \$1.3 billion. The County has determined that its maximum probable loss for its covered facilities would be \$75,000,000, \$25,000,000 less than its current coverage.

The West Broadway Court Building component of the Facilities is estimated to be of a value that, together with two years of Base Rental payments allocable thereto, would approach \$100 million. Additionally, certain of the components are in proximity to insured facilities owned by the City of San Diego, the San Diego Transit Commission or the San Diego Housing Commission. Thus, the damage resulting from the occurrence of a single covered event could be well in excess of \$100 million. Such excess would not be covered under the existing policies and the \$100 million of available insurance proceeds would be applied pro-rata among each of the joint insureds' damaged facilities.

The County self-funds for, among other things, public liability and workers' compensation. The County believes that its risks are predictable and measurable on an annual basis and, therefore, budgets accordingly. However, the County's methodology does not ensure that the amounts budgeted in any given year will be sufficient to cover the losses incurred in such year. For example, in Fiscal Year 1991/92 estimated liabilities for litigation exceeded the budgeted amount by approximately \$17,400,000 and estimated liabilities for workers' compensation exceeded the budgeted amount by approximately \$21,300,000. The County believes that the budgeted amounts, together with funds to be provided in the future, will be adequate to meet all self-funded claims.

See "SECURITY AND SOURCE OF PAYMENTS FOR THE CERTIFICATES – Insurance" and APPENDIX B – "COUNTY OF SAN DIEGO FINANCIAL INFORMATION – Risk Management".

Limited Recourse on Default

If the County defaults on its obligations to make Base Rental payments with respect to the Facilities, the Trustee will have the right to re-enter and re-let the Facilities. In the event such re-letting occurs, the County would be liable for any deficiency in Base Rental payments that results therefrom. See APPENDIX E - "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS".

No assurance can be given that the Trustee will be able to re-let the Facilities so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. The Trustee is not empowered to sell the Facilities for the benefit of the Owners of the Certificates. It is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto.

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease. The County will be liable only for Base Rental payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

Release or Substitution of Property

The Lease provides that, upon satisfaction the conditions specified therein, the County may release from the Lease and Facilities Lease any portion of the Facilities, or substitute other property and improvements for the Facilities. Although the Lease requires that the property which will comprise the Facilities after such release or substitution must have an annual fair rental value at least equal to 100% of the maximum annual amount of Base Rental payments payable in any Lease Year, it does not require that such property have an annual fair rental value equal to 100% of the annual fair rental value of the property comprising the Facilities at the time of substitution or release. Thus, a portion of the property comprising the Facilities could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental were to occur subsequent to such substitution or release.

See "THE FACILITIES" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement".

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and Lease may be limited by, and are subject to, the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Lease, and from taking any steps to collect amounts due from the County under the Lease.

General Economic Conditions; State Budget

The State has been in a recession for at least the last 30 months. Construction, manufacturing (especially aerospace), exports and financial services, among others, have all been severely affected.

County expenditures, particularly for public assistance, have increased significantly as a result of the recession and the portion of County revenues not derived from other government agencies has been reduced somewhat by the economic downturn. Furthermore, the County receives approximately 44% of its revenues from the State, and the recession has seriously affected State revenues.

In order to balance the 1992/93 State budget, the State Legislature reduced by $1.3 billion revenues previously allocated to certain local agencies and, as a result, the County lost approximately $26 million in property tax and other revenues. The loss required the County to cut expenditures by an equal amount.

The Governor's proposed State Budget for 1993/94 would shift about $2.6 billion in property taxes from local agencies to school and community college districts. It is not clear how much of this amount is proposed to be shifted from counties.

The County cannot predict what form the final adopted State Budget will take or what impact the State Budget and the continuing recession will have on County revenues and expenditures. However, the County is required by law to have a balanced budget each year.

See APPENDIX B – "COUNTY OF SAN DIEGO FINANCIAL INFORMATION – Annual Budget".

Litigation Involving Lease With Richmond Unified School District

In April 1992, the trustee for holders of certain certificates of participation executed and delivered on behalf of the Richmond Unified School District (the "School District") filed a complaint in Superior Court for the County of Contra Costa, California against the School District, the State and other related defendants under a lease (the "Richmond Lease") having provisions similar to the Lease. In May 1992, in an answer to the complaint, the School District, through its State-appointed trustee and administrator, and the State Superintendent of Public Instruction, another defendant in the action, contended, among other things, that the Richmond Lease is unenforceable in that it constitutes long-term debt of the School District which has not received voter approval as required by the State Constitution.

On October 9, 1992, the judge in this case denied a petition by the plaintiff trustee for a writ of mandate ordering the School District to appropriate moneys in its current budget to pay lease payments under the Richmond Lease. The grounds for denial were that the mandate was inappropriate because (i) there was no statute clearly creating a duty to appropriate and (ii) there is an adequate remedy at law.

Following such action, on December 11, 1992 the trial court upheld the validity of the Richmond Lease against a broad claim of statutory and constitutional invalidity. The School District and the State have appealed the trial court's decision. The County cannot predict whether the trial court's decision will be upheld by the appellate court or what impact any ultimate decision in the case may have on the Lease.

O'Melveny & Myers and Harrison, Taylor and Bazile, Co-Special Counsel, express no opinion as to the ultimate outcome of this litigation, or its effect, if any, upon the Lease or the Certificates if decided adversely. However, Co-Special Counsel is delivering its final opinion, in the form set forth in APPENDIX G, incident to the closing of this transaction. The opinion provides, in part, that, subject to the conditions and qualifications contained in the opinion, based upon existing law, the Lease is a valid and binding obligation of the County.

Book-Entry System

Beneficial Owners of the Certificates may experience some delay in the receipt of distributions of principal of and interest represented by the Certificates since such distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or indirectly through indirect Participants.

In addition, since transactions in the Certificates can be effected only through DTC, Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge Certificates to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Certificates, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Trustee as registered Owners for purposes of the Trust Agreement, and Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants.

See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM".

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

In 1978 California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA was subsequently amended in 1986, as discussed below. Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs". Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIIIB of the California Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann-Initiative, which added Article XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIIIB. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted for changes in the cost of living and population. The initial version of Article XIIIB provided that the "base year" for establishing an appropriations limit was the 1978/79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990/91, each appropriations limit must be recalculated using the actual 1986/87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB include generally any authorization to expend during a Fiscal Year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIIIB permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

The County's Article XIIIB limit for the 1992/93 Fiscal Year budget is $915,896,362, and 1992/93 Fiscal Year budget appropriations subject to limitations are expected to be approximately $487,801,707. For Fiscal Year 1992/93, the County therefore anticipates that it will be under its limit by $428,094,655. The County has never exceeded its Article XIIIB appropriations limit.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988/89 Fiscal Year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, the valuation of which continues to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Statutory Limitations

On October 4, 1986, California voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) requires local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988. A final State Court of Appeal decision has declared the majority provisions referred to in (d) above to be unconstitutional. A second appellate court decision held unconstitutional both the effective date and majority-vote provision of Proposition 62. However, the California Supreme Court has ordered that the latter decision not be published (making it unavailable for citation as precedent) thus creating uncertainty as to the voter-approval requirement of Proposition 62.

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 62 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues.

THE COUNTY

For certain economic, demographic and financial information with respect to the County, see APPENDIX A – "COUNTY OF SAN DIEGO ECONOMIC AND DEMOGRAPHIC INFORMATION", APPENDIX B – "COUNTY OF SAN DIEGO FINANCIAL INFORMATION" and APPENDIX C – "COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 1992".

THE CORPORATION

The Corporation was organized on June 12, 1984, as a nonprofit public benefit corporation pursuant to the Nonprofit Public Corporation Law of the State of California. The Corporation's purpose is to render assistance to the County in its acquisition of equipment, real property and improvements on behalf of the County. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit public benefit corporations by the laws of the State of California, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board of Directors") appointed by the Board of Supervisors of the County. The Corporation has no employees. All staff work is performed by employees of the County. The members of the Corporation's Board of Directors are Barry I. Newman, Morris Slayen, Hardy G. Kuykendall, Richard L. Nolan, Jr., and Michel Anderson.

Barry I. Newman, Chairman, is a retired banker and attorney. He was formerly Senior Executive Vice President of Great American First Savings Bank. Prior to joining Great American, he was Chairman, President, and Chief Executive Officer of Security Pacific Finance Group, and is a member of the California, New York, Ohio and U.S. Supreme Court Bars.

Morris Slayen is President of M. Slayen & Associates, Inc., a private contracting firm specializing in the installation of acoustical and thermal insulation for naval vessels.

Hardy G. Kuykendall is a retired insurance company executive. He is a former Vice President of Allied Mutual Insurance Co., a former President of the La Mesa Chamber of Commerce, and a past member of the City Council and Vice Mayor of La Mesa, California, as well as a former member and President of the La Mesa-Spring Valley School District Board of Education.

Richard L. Nolan, Jr., currently directs his own management consulting firm, is the owner of Woodside Animal Hospital and was formerly budget officer for the State of Missouri.

Michel Anderson is President of Michel Anderson & Associates, a land use consulting firm specializing in project management, development processing and public affairs. Mr. Anderson has previously served as an assistant to the Mayor of San Diego for business and economic development, on the Governor's Infrastructure Task Force and on the Grace Commission in Washington, D.C.

The County's Chief Administrative Officer, Director of the Office of Financial Management, Treasurer-Tax Collector, Auditor and Controller, the County Counsel, Director of General Services, Director of Purchasing and Contracting and other County employees are available to provide staff support to the Corporation.

Further information concerning the Corporation may be obtained from the San Diego County Capital Asset Leasing Corporation office in 1600 Pacific Highway, Room 352, San Diego, California 92101.

TAX EXEMPTION

In the opinion of O'Melveny & Myers and Harrison, Taylor & Bazile, Co-Special Counsel, under existing statutes, regulations, rulings and court decisions, the portion of each Base Rental payment designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The original issue discount ("OID") on the Certificates properly allocable to a registered Owner is treated as interest for purposes of federal income tax and is excluded from gross income for federal income tax purposes to the same extent as interest with respect to the Certificates as described above.

In addition, Co-Special Counsel is of the opinion that the portion of Base Rental designated as and comprising interest is not an item of tax preference for purposes of the Code's alternative minimum tax provisions except to the extent provided in the following sentence. The portion of each Base Rental payment designated as and comprising interest received by a corporation will be included in adjusted earnings for purposes of computing its alternative minimum tax.

OID is includable in adjusted current earnings as it accrues each year rather than at the time OID is actually paid to and received by the Owners of the Certificates upon the maturity or prepayment of the Certificates. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of such Certificates) rather than ratably, and an Owner's adjusted basis in such Certificates, used to determine the amount of gain or loss on disposition of such Certificates, will be decreased by the amount of such accrued OID.

Co-Special Counsel is further of the opinion that that portion of Base Rental designated as and comprising interest and received by the Owners of the Certificates is exempt from personal income taxes of the State of California under present state law.

In rendering these opinions, Co-Special Counsel has relied upon representations and covenants of the County in the Trust Agreement and in the County's Tax and Nonarbitrage Certificate concerning the investment and use of Certificate proceeds, the rebate to the federal government of certain earnings thereon and the use of the facilities refinanced with the proceeds of the Certificates. In addition, Co-Special Counsel has assumed that all such representations are true and correct and that the County will comply with such covenants. Co-Special Counsel has expressed no opinion with respect to the exclusion of the interest paid with respect to the Certificates from gross income under Section 103(a) of the Code in the event that any of such County representations are untrue or the County fails to comply with any of such covenants.

Co-Special Counsel has expressed no opinion regarding any impact of ownership of, receipt of interest with respect to, or disposition of, the Certificates other than as expressly described above. Prospective purchasers of the Certificates should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest with respect to, or disposition of, the Certificates may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates or, in the case of a financial institution, that portion of a Owner's interest expense allocable to interest with respect to the Certificates, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Certificates, (iii) for taxable years beginning before January 1, 1996, interest with respect to the Certificates earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest with respect to the Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest with respect to the Certificates, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Certificates. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Owner of Certificates.

CERTAIN LEGAL MATTERS

Copies of the approving opinion of O'Melveny & Myers and Harrison, Taylor & Bazile, Co-Special Counsel will be available at the time of delivery of the Certificates. Certain legal matters will be passed upon for the Underwriters by Jones Hall Hill & White, A Professional Law Corporation. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel.

LITIGATION

The County is not aware of any pending or threatened litigation concerning the validity of the Certificates or challenging any action taken by the County in connection with the authorization of the Facilities Lease, the Lease, the Trust Agreement or any other document relating to the Certificates or the Facilities to which the County is or is to be become a party or the performance by the County of any of its obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not have a material adverse affect on the ability of the County to make Base Rental payments.

VERIFICATION

The accuracy of (i) the mathematical computations of the adequacy of the maturing principal of and interest earned on the obligations of the United States of America held under the Escrow Agreement by the Escrow Bank for the Refunded Obligations, together with other available funds held thereunder by the Escrow Bank, to provide for the payment of the Refunded Obligations; and (ii) certain mathematical computations supporting the conclusion that the Certificates are not "arbitrage bonds" under the Code, will be verified by Grant Thornton, a firm of independent certified public accountants.

RATINGS

Moody's Investors Service, Inc. has given the Certificates a rating of "Aaa" and Standard & Poor's Corporation has given the Certificates a rating of "AAA", with the understanding that, upon delivery of the Certificates, the Insurance Policy will be issued by the Insurer. Certain information was supplied by the County to the rating agencies to be considered in evaluating the

Certificates. Credit ratings reflect the views of the respective rating agencies and any explanation of the significance of ratings should be obtained directly from the agencies. There is no assurance that any rating will not subsequently be revised or withdrawn entirely if, in the judgment of the assigning agency, circumstances so warrant. The County and the Underwriters undertake no responsibility either to bring to the attention of the Owners of the Certificates any downward revision or withdrawal of such rating and any such downward revision or withdrawal could have an adverse effect on the market price of the Certificates. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

UNDERWRITING

The Certificates are being purchased by Morgan Stanley & Co. Incorporated, PaineWebber Incorporated, Merrill Lynch & Co., Smith Barney, Harris Upham & Co. Incorporated, Artemis Capital Group, Inc. and L. P. Charles & Goings, Inc. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Certificates at a discount of $1,311,930 from the public offering prices shown on the inside cover page hereof. The purchase contract pursuant to which the Certificates are being purchased by the Underwriters provides that the Underwriters will purchase all of the Certificates if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

The Underwriters may offer and sell the Certificates to certain dealers and others at prices or yields different from the prices or yields stated on the cover page of this Official Statement. The offering prices or yields may be changed from time to time by the Underwriters.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Certificates. Quotations and summaries and explanations of the Certificates and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any Owner of a Certificate may obtain a copy of any such report, as available, from the County.

The preparation and distribution of this Official Statement have been authorized by the County.

COUNTY OF SAN DIEGO

By: /s/ David E. Janssen
Chief Administrative Officer

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APPENDIX A

COUNTY OF SAN DIEGO ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. The County is approximately the size of the State of Connecticut.

Topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. Average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence which contributes approximately $10 billion annually to the retail and service businesses of the area.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

The new San Diego Convention Center, containing 354,000 square feet of exhibit space and over 100,000 square feet of meeting/banquet rooms began operation in November 1989. The Convention Center can accommodate events for 30,000 to 40,000 people. During 1990, its first year of operation, 354 events were held, attracting 1.1 million guests. An estimated 280,000 of these were from out of town. Major conventions and trade shows are scheduled into the year 2009.

In addition to the City of San Diego, other principal cities in the County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of the County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (i) regional services such as courts, probation, medical examiner, jails, elections and public health; (ii) health, welfare and human services such as mental health, senior citizen and child welfare services; (iii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (iv) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County Government

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. The Chief Administrative Officer appoints the Auditor and Controller. Elected officials include the Assessor, District Attorney, County Recorder-County Clerk, Sheriff and Treasurer-Tax Collector.

Growth Management

The County has fostered a regional growth management plan rather than imposing development limitations. The current regional growth management effort was approved by the voters in November 1988 as Proposition C, the only one of five growth-related measures on the ballot to be approved. It provides for a voluntary planning process to help define, plan, and prepare for the impacts of growth on a regional basis. Representatives of the County and each of the 18 incorporated cities within the County agreed to a growth management board that came into being in 1990 through an amendment to the San Diego Association of Governments ("SANDAG") joint powers agreement designating SANDAG as the board. The board has no power to limit growth in any jurisdiction.

Population

There are 18 incorporated cities in the County, and a number of unincorporated communities. For many years the population of the County has grown at a greater rate than that of either California or the nation. The County population for July 1, 1992, was estimated to be 2,602,200, making it the second largest County by population in California and the fourth largest in the United States. The 1992 population increased 2.2% from 1991. Approximately 40.7% of the growth in population in 1992 can be attributed to migration, a large share of which can be linked to employment opportunities. The remaining 59.2% is from net natural increases, i.e., births less deaths.

Population in the County is expected to grow to 3.3 million people by the year 2000, and to 3.6 million people by 2005, which is nearly a 40% increase over the existing population.

The City of San Diego is the sixth largest city in the nation; in 1992 the City's population was approximately 1,150,000.

The following table shows changes in population in the County, the State and the United States for the years 1983 - 1992 as of July 1.

Population – 1983 - 1992

Year(1)	County (000)	Percent Change	State (000)	Percent Change	United States (000)	Percent Change
1983	1,992	–	25,337	–	233,806	–
1984	2,047	2.76%	25,816	1.89%	235,847	0.87%
1985	2,097	2.44	26,403	2.27	237,950	0.89
1986	2,169	3.33	27,052	2.46	240,162	0.93
1987	2,248	3.64	27,717	2.46	242,321	0.90
1988	2,328	3.56	28,393	2.44	244,534	0.91
1989	2,418	3.87	29,142	2.64	246,820	0.93
1990	2,480	2.56	29,976	2.86	249,466	1.07
1991	2,547	2.07	30,646	2.24	252,120	1.06
1992	2,602	2.16	31,320	2.20	254,490	0.94

(1) Estimated population as of July 1.
Sources: State of California Department of Finance; U.S. Department of Commerce, Bureau of the Census.

Employment

The County's total labor force, the number of persons who work or are available for work, averaged 1,190,700 in Calendar Year 1992. The number of employed workers in the labor force averaged 1,112,100. The total work age population (15 to 64 years old) employed in the labor force is expected to increase.

From Calendar Years 1988 - 1992, employment growth in the County occurred at a 0.77% compound annual rate, compared with rates of 0.74% for the State and 0.51% for the nation.

The following table sets forth information regarding the size of the labor force, employment and unemployment rates for the County, the State and the United States for the Calendar Years 1988 - 1992.

Employment – Averages
Calendar Years 1988 - 1992

	1988	1989	1990	1991	1992
County					
Labor Force (000s)	1,126.3	1,172.1	1,174.4	1,172.4	1,190.7
Employment (000s)	1,078.4	1,125.9	1,121.6	1,099.0	1,112.1
Unemployment Rate	4.3%	3.9%	4.5%	6.3%	6.6%
State					
Labor Force (000s)	14,133.0	14,518.0	14,670.0	14,833.0	15,064.0
Employment (000s)	13,385.0	13,780.0	13,846.0	13,714.0	13,785.0
Unemployment Rate	5.3%	5.1%	5.6%	7.5%	8.5%
United States					
Labor Force (000s)	121,689.0	123,869.0	124,787.0	125,303.0	126,590.0
Employment (000s)	114,968.0	117,342.0	117,914.0	116,877.0	117,348.0
Unemployment Rate	5.5%	5.3%	5.5%	6.7%	7.3%

Source: California Employment Development Department, *Annual Planning Information.*

The service industries accounted for more than 25% of total nonagricultural employment in 1992, with a total of 273,100 jobs. The trade industry, including both retail and wholesale businesses, was the second largest sector in 1992, comprising approximately 20% of total County employment with a total of 223,300 jobs.

During 1992, government accounted for approximately 17% of total employment and manufacturing accounted for an additional 12%. The construction and transportation sectors of employment are greatly influenced by the general health of the economy due to the fact that they serve exclusively the local market. These two sectors are therefore directly influenced by the growth of population and housing, and are expected to decline slightly through 1993.

The following table sets forth the annual average nonagricultural employment within the County, by employment sector, for the Fiscal Years 1988 - 1992.

Nonagricultural Employment – Averages
Calendar Years 1988 - 1992
By Place of Work
(In Thousands)

Employment Sector	1988	1989	1990	1991	1992
Mining	0.8	0.8	0.7	0.6	0.5
Transportation and Public Utilities	35.1	35.8	37.1	36.8	34.7
Construction	57.4	63.8	62.3	50.4	43.3
Manufacturing	130.1	135.4	136.5	134.7	124.0
Wholesale and Retail Trade	223.0	233.7	238.1	230.0	219.7
Finance, Insurance and Real Estate	65.0	66.5	67.9	64.3	60.9
Services	242.5	259.5	275.7	277.3	282.8
Government	162.8	169.3	176.8	179.5	179.1

Sources: County of San Diego Auditor and Controller; California Employment Development Department.

The following table sets forth the ten largest employers in the County as of August 1992.

Ten Largest Employers

Employer	Number of Employees	Product or Service
U.S. Government/Active Duty Military	139,701	National Defense
U.S. Government/Civilian Employees	47,700	Federal Administration
University of California, San Diego	17,816	Educational Institution
County of San Diego	13,765	County Administration
San Diego Unified School District	11,407	K-12 Public Schools
City of San Diego	10,969	City Administration
Sharp Health Care	9,730	Hospitals/Health Care Services
General Dynamics	9,500	Aerospace/Defense Electronics
Scripps Institution of Medicine and Science	8,395	Health Care/Biomedical Research
State of California	7,713	State Administration

Source: San Diego Business Journal.

Regional Economy

The Gross Regional Product ("GRP") of the County is an estimate of the value for all goods and services produced in the region. The GRP for 1992 is forecasted to rise 5% to $62.2 billion.

The following table presents the County's GRP from Fiscal Years 1982/83 - 1991/92.

Gross Regional Product
Fiscal Years 1982/83 - 1991/92

Fiscal Year Ended June 30	Gross Regional Product (Billion $)	Annual Percentage Change — Current Dollars: San Diego	Current Dollars: United States	Real Change(1): San Diego	Real Change(1): United States
1983	$29.5	9.3%	7.7%	5.0%	6.8%
1984	33.8	12.1	10.8	10.4	2.4
1985	36.6	9.9	6.1	4.6	2.9
1986	39.5	9.9	5.6	5.7	3.4
1987	43.7	9.1	6.8	5.5	3.6
1988	47.8	9.5	7.0	5.0	2.2
1989	52.4	9.1	6.7	3.0	2.5
1990	55.8	5.7	5.1	NA	1.0
1991	59.4	2.8	3.2	-1.0	-0.5
1992 (estimate)	62.2	4.7	5.2	1.9	2.3

(1) Adjusted using the GNP Implicit Price Deflator.
Sources: Data for the U.S. from the Department of Commerce, Bureau of Economic Analysis; Economic Research Bureau of the Greater San Diego Chamber of Commerce; County of San Diego Auditor and Controller.

Helping to sustain the County's economy is the performance of three basic industries of the region – manufacturing, the military, and tourism. The U.S. Department of Defense contributes about $10 billion annually to the local economy through wages paid to uniformed military and civilian personnel and through purchases of equipment and services from local businesses. Although the Naval Training Center remains on the Department of Defense's closure list, the area's military presence is expected to remain stable and may even increase because of consolidation of operations and facilities from elsewhere in California and the West.

Building Activity

Building permit valuation in the County decreased to $1.5 billion in 1992 from $2.0 billion in 1991. Measures limiting new housing remain in effect in areas throughout the County. The number of building permit authorizations has fallen in the last several years.

Annual total building permit valuation and the annual unit total of new residential permits since 1988 are shown in the following tabulation.

Building Permit Activity
Calendar Years 1988 - 1992

	1988	1989	1990	1991	1992
Valuation					
Residential	$2,820,000	$2,355,000	$1,894,000	$1,377,000	1,049,744
Nonresidential	1,474,000	930,000	710,000	646,000	533,405
Total	$4,294,000	$3,285,000	$2,604,000	$2,023,000	$1,583,149
New Dwelling Units					
Single Family	14,229	10,708	6,611	5,375	3,794
Multiple Family	14,165	8,105	9,196	2,528	2,255
Total	28,394	18,813	15,807	7,903	6,049

Source: Economics Sciences Corporation.

Commercial Activity

Consumer spending in Calendar Year 1991 resulted in $20.84 billion in taxable sales in the County, which is 4.20% below Calendar Year 1990.

The following table sets forth information regarding taxable sales in the County for Calendar Years 1988 - 1992.

Taxable Sales
Calendar Years 1988 - 1992
(000's Omitted)

Type of Business	1988	1989	1990	1991	1992*
Apparel Stores	$ 693,249	$ 787,646	$ 832,370	$ 859,766	$ 396,521
General Merchandise	2,506,605	2,699,887	2,745,143	2,717,063	1,281,227
Specialty Stores	1,628,611	1,800,401	1,915,079	1,893,601	923,776
Food Stores	1,072,516	1,205,124	1,261,984	1,383,476	730,769
Liquor Stores	152,054	152,368	149,111	155,782	79,359
Eating and Drinking Establishments	1,816,607	1,920,620	2,026,527	2,061,465	1,032,243
Home Furnishings and Appliances	721,534	782,644	801,992	753,467	359,204
Building Materials and Farm Implements	1,266,373	1,468,314	1,396,551	1,191,353	578,822
Automotive	2,836,907	2,901,062	2,748,644	2,416,031	618,372
Service Stations	1,040,439	1,165,791	1,221,927	1,167,362	1,235,138
Retail Stores Total	13,734,895	14,833,857	15,099,328	14,599,366	7,235,431
Business and Personal Services	1,069,206	1,141,119	1,198,840	1,156,735	586,020
All Other Outlets	4,577,781	5,246,370	5,453,078	5,080,874	2,493,664
TOTAL ALL OUTLETS	$19,381,882	$21,271,346	$21,751,246	$20,836,975	$10,315,115

* First two quarters of 1992 only.
Source: California State Board of Equalization, Taxable Sales in California.

Personal Income

Personal income is income for all sources after deductions for social insurance programs, and before taxes. Earned income, derived primarily from wages and salaries, is the largest component of personal income.

Effective Buying Income ("EBI") is a gross measurement of market potential indicating the ability to buy. EBI is a classification of all personal income (e.g., wages, salaries, other labor-related income, interest income and pension and welfare assistance) less personal taxes (i.e., federal, state, local and Social Security taxes and related fines, penalties and fees) and less non-tax revenues (i.e., payments for overseas diplomatic and military personnel).

In 1991, the County ranked 14th of 320 metropolitan areas in terms of Total EBI, 54th of 320 in terms of Median Household EBI and 16th of 320 in terms of Number of Households with more than $50,000 of EBI. Between 1982 and 1990, personal income in the San Diego metropolitan area grew at a 10.5% compound annual rate, compared with a 7.7% rate for the nation.

The following table lists various income indices for the San Diego Metropolitan Statistical Area and the United States.

Income Indices
Calendar Years 1982 - 1991

	Total Personal Income (000's)		Per Capita Personal Income		Median Household EBI		Number of Households with More than $50,000 EBI (000's)
Year	San Diego MSA	U.S.	San Diego MSA	U.S.	San Diego MSA	U.S.	San Diego MSA
1987	$35,704,887	$3,202,847,131	$15,430	$13,040	$29,891	$25,888	208.8
1988	36,146,308	3,064,005,977	15,174	12,359	29,555	24,488	213.7
1989	38,270,528	3,287,489,252	15,391	13,158	29,916	25,976	229.3
1990	41,179,182	3,499,365,237	16,067	13,952	32,013	27,912	257.4
1991	40,840,447	3,728,967,043	15,681	14,702	35,776	32,073	284.2

Sources:
Sales & Marketing Management, *Survey of Buying Power*

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has recently been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Del Mar and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's visitor industry is a major sector of the region's economy. Visitor revenues in San Diego County reached over $3.7 billion in 1992, according to an estimate by the San Diego Convention and Visitors Bureau, up from $3.5 billion in 1991. In 1992, San Diego County hosted 1,279 conventions, attended by 843,065 delegates, who spent nearly $547 million.

Education

Forty-three independent school districts provide educational programs for the more than 405,000 elementary and secondary public school children in the County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board. In the County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 10 unified, 27 elementary and 6 union high school districts in the County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in the County with a combined enrollment of more than 175,000 students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelor's and graduate programs in metropolitan San Diego are San Diego State University (31,201 students); the University of California at San Diego (17,699 students), which, in terms of enrollment is the second largest school in the State; National University (12,500 students); the University of San Diego (6,000 students); Point Loma College (2,349 students); and United States International University (1,716 students). Construction of a new campus in the California State University System commenced in 1990 in the City of San Marcos.

APPENDIX B

:OUNTY OF SAN DIEGO FINANCIAL INFORMATION

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The assessed valuation of property in the County is established by the County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution.

Ad Valorem Property Taxation

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding March 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll, also containing State-assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and if unpaid become delinquent on December 10 and April 10 respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the delinquent taxpayer.

The following tables describe the assessed valuation of property subject to taxati
Fiscal Years 1983/84 - 1992/93, and the tax collections in such years.

Assessed Valuation of Property Subject to Ad Valorem Taxation Fiscal Years 1983/84 - 1992/93(1)

(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption	Net Assessed Valuation for Tax Purposes
1983/84	$22,511,945	$35,421,666	$3,012,027	$ 60,945,638	$1,106,094	$ 59,839,544
1984/85	25,121,287	39,031,330	3,427,053	67,579,670	1,231,882	66,347,788
1985/86	27,994,221	43,754,843	3,865,757	75,614,821	1,476,531	74,138,290
1986/87	31,187,727	49,725,851	4,229,950	85,143,528	1,515,170	83,628,358
1987/88	34,724,925	55,492,851	4,771,804	94,989,580	1,733,693	93,255,887
1988/89	38,431,248	61,331,216	5,164,331	104,926,775	1,818,688	103,108,087
1989/90	43,595,375	67,523,333	5,782,822	116,901,530	2,176,638	114,724,892
1990/91	49,581,930	75,596,700	6,796,312	131,974,941	2,428,532	129,546,409
1991/92	54,203,463	80,619,713	6,833,128	141,656,304	2,605,200	139,051,103
1992/93	56,942,667	83,395,166	7,050,615	147,388,447	3,011,677	144,376,771

(1) Fiscal Year 1993/94 figures will not be available until August 1993. It is anticipated that the net assessed valuation of property in the County will increase by approximately 5%.
Source: County of San Diego Auditor and Controller.

Summary of Ad Valorem Property Taxation Fiscal Years 1983/84 - 1992/93

Fiscal Year	General Fund Secured Levy	Amount of Current Levy Uncollected at June 30	Percent Delinquent at June 30	Prior Delinquencies Collected
1983/84	$142,161,727	$ 5,476,083	3.85%	$ 7,811,611
1984/85	158,055,308	5,958,312	3.77	6,699,867
1985/86	176,112,561	6,402,815	3.64	8,193,610
1986/87	199,039,085	6,899,438	3.47	8,140,870
1987/88	217,716,713	6,975,475	3.20	10,077,431
1988/89	242,421,293	7,340,420	3.03	7,166,653
1989/90	268,357,728	8,096,567	3.02	6,990,138
1990/91	299,196,770	12,378,379	4.13	7,546,878
1991/92	319,565,304	14,643,555	4.58	8,929,386
1992/93	311,468,924(1)	15,822,621(1)	5.08(1)	8,975,691(2)

(1) Estimated.
(2) Collections as of April 12, 1993.
Source: County of San Diego Auditor and Controller.

The following table shows the approximate tax paid by the ten largest taxpayers in the County for Fiscal Year 1992/93.

Ten Largest Taxpayers
Fiscal Year 1992/93

Property Owners	Approximate Tax
San Diego Gas & Electric Company	$33,648,939.56
Southern California Edison	22,412,638.96
Pacific Bell	18,097,383.84
General Dynamics Corp./Convair Div.	2,993,381.76
Pardee Construction Company	2,812,440.58
Fieldstone/La Costa Associates	2,446,590.74
Equitable Life Assurance Society	2,256,678.28
CF Poway Ltd.	2,007,313.08
General Dynamics Corp.	1,991,222.96
Pacific Landmark Hotel Ltd.	1,945,880.46

Source: County of San Diego Auditor and Controller.

Financial Statements

The following financial statements were generated from the County Auditor and Controller's "Annual Financial Report" and other official public records. A copy of the general purpose financial statements of the County for the year ended June 30, 1992, is attached to this Official Statement as APPENDIX C. The following statements are for informational purposes only and do not constitute the complete financial statements of the County.

General Fund
Combined Balance Sheet
At June 30, 1992 Compared to June 30, 1991
(In Thousands)

	1992	1991
Assets		
Cash	$ 12,180	$ 23,375
Taxes Receivable	49,289	40,069
Accounts Receivable	60,472	60,047
Loans Receivable	587	474
Due from Other Funds (1) (2)	270,435	233,981
Deposits with Others	15	15
Inventories-Materials and Supplies	9,351	7,931
TOTAL ASSETS	$402,329	$365,892
Liabilities and Equities		
Accounts Payable	$ 25,814	$ 16,916
Accrued Payroll	31,734	27,600
Amount Dues for Tax and Revenue Anticipation Notes (2)	210,080	190,052
Due to Other Funds	7,081	2,254
Obligations under Reverse Repurchase Agreements	596	1,662
Deferred Property Tax Revenue	45,346	37,264
Other Deferred Revenue	36,796	29,478
Fund Balance-Unavailable Encumbrances	26,239	38,452
Fund Balance-Unavailable Reserves	12,459	10,473
Fund Balance-Available	6,184	11,741
TOTAL LIABILITIES AND EQUITIES	$402,329	$365,892

(1) Represents receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) Consistent with National Council on Governmental Accounting Interpretation No. 9, the liability for tax and revenue anticipation notes outstanding at June 30, is displayed in the General Fund and offset by a corresponding asset recorded as "Due from Other Funds", representing the pledged amounts set aside in a separate repayment fund.

Source: County of San Diego, Comprehensive Financial Report for the Year Ended June 30, 1992.

General Fund
Comparison of Revenues, Expenditures and Fund Balances
Fiscal Years 1987/88 - 1991/92
(In Thousands)

	1987/88	1988/89	1989/90	1990/91	1991/92
Sources of Funds					
Fund balances					
Reserved for encumbrances	$ 22,084	$ 28,455	$ 42,526	$ 34,373	$ 38,452
Unreserved	31,441	25,200	32,085	41,573	11,742
Taxes	268,053	300,811	328,681	358,361	371,043
Licenses, permits & franchises	14,906	17,848	17,149	18,623	18,471
Fines, forfeitures & penalties	7,972	7,957	10,253	12,293	12,051
Use of money & property	15,572	17,294	19,831	17,321	18,598
Aid from other gov't agencies	627,354	732,119	835,464	980,780	1,159,202
Charges for current services	84,829	92,426	100,442	128,359	128,697
Other revenue	16,272	9,942	9,391	11,897	11,979
Sale of fixed assets	–	–	225	150	150
Operating transfers-in (1)	2,132	1,612	916	2,672	10,568
Issuance of lease purchases (2)	26,494	44,793	24,862	–	3,745
Total sources	$1,117,109	$1,278,457	$1,421,825	$1,606,402	$1,784,697
Uses of Funds					
General	$ 132,748	$ 139,350	$ 153,266	$ 173,606	$ 173,217
Public protection	263,973	289,994	337,949	380,164	413,237
Public ways & facilities	1,215	1,065	726	1,109	1,139
Health & sanitation	155,225	166,748	185,173	218,210	233,805
Public assistance	455,009	525,074	596,399	737,722	879,859
Education	218	235	223	262	291
Recreation & cultural services	4,687	5,056	5,881	6,209	6,229
Capital outlay	26,494	44,793	24,862	–	3,745
Debt service	6,546	9,897	13,145	11,655	12,085
Operating transfers-out (1)	16,654	21,529	27,891	27,091	28,104
Contingency (3)	–	–	–	–	–
Total uses	$1,062,769	$1,203,741	$1,345,515	$1,556,028	$1,751,711

(1) "Operating transfers-in" consist primarily of funds transferred from the Accumulated Capital Outlay Fund, Sheriffs Asset Forfeiture Fund and Parkland Dedication Funds. "Operating transfers-out" consist primarily of transfers to the Accumulated Capital Outlay Fund.

(2) Beginning with Fiscal Year 1988/89, capitalized lease purchases included as general expenditures in prior years were reclassified as capital outlay expenditures. Therefor, Fiscal Years prior to 1988/89 were restated to provide comparability. Capitalized lease purchase for the year are treated as both a source and a use of funds consistent with Statement 5 of the National Council on Governmental Accounting.

(3) "Contingency" is reflected in each year's budget figures, but is transferred to fund balance at year-end.

Source: County of San Diego Auditor and Controller.

Annual Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than August 30 of each year. The Board of Supervisors is further required to set tax rates by September 1 in accordance with Article XIIIA of the California Constitution. See "Ad Valorem Property Taxation" above.

Fiscal Year 1992/93

The Fiscal Year 1992/93 adopted budget was based on an assumed 5.0% increase in property tax revenue, and no available fund balance in the County's General Fund on July 1, 1992. Approximately 44% of the revenues in the budget are funded by the State. The adopted budget also assumed for Fiscal Year 1992/93 that State and Federal aid would total approximately $1 billion for health and welfare costs. The State passed its 1992/93 budget in September 1992; one of the actions by the State Legislature to balance the 1992/93 State budget was to reduce tax revenues previously allocated by State legislation to counties and transfer those revenues to public schools throughout the State. As a result of these actions by the State, the County lost approximately $18 million in property tax revenue, $6 million in trial court funding, and $2 million in State mandated and other program revenues. The necessary adjustment to the 1992/93 budget was accomplished by a $12 million reduction in salaries under what the County termed the Integrated Leave Program and the remaining amount through across-the-board reductions to all departments.

Since the budget must be in balance, any shortfall in revenues requires a reduction in appropriations. No increase in the aggregate appropriations can be made after the final budget has been adopted, unless the County has received written certification of additional revenue from the sources of such revenue.

In order to ensure that the budget remains in balance throughout the Fiscal Year, periodic reviews are made covering actual receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to reduce appropriations. Appropriation reductions would be achieved through a combination of hiring freezes, employee layoffs, and freezes on the purchase of equipment, services and suppliers. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The County Auditor and Controller is responsible for monitoring and reporting expenditures within budgeted appropriations.

The table which follows shows the County's adopted budget for the 1991/92 and 1992/93 Fiscal Years.

Adopted General Fund Budget
Fiscal Years 1991/92 - 1992/93
(In Thousands)

	1991/92	1992/93
Appropriations		
General	$ 222,016	$ 208,207
Public protection	404,605	407,446
Health & sanitation	228,917	234,049
Public assistance	844,454	886,693
Education	428	396
Recreation & cultural services	7,278	6,646
Total specific appropriations	$1,707,698	$1,743,437
Appropriations for contingencies & designations	$ 10,681	$ 13,903
Total appropriations	$1,728,379	$1,757,340
Estimated revenues		
Current property taxes	$ 332,400	$ 321,800
Taxes other than current property	58,121	53,745
Licenses & permits	20,401	20,629
Fines, forfeitures & penalties	14,244	10,848
Use of money & property	18,322	16,342
Aid from other gov't agencies	1,100,568	1,169,954
Charges for current services	133,312	140,160
Other revenues	17,375	21,321
Total estimated revenues	$1,694,743	$1,754,799
Other financing sources	$ 2,732	$ 1,000
Estimated fund balance available	20,904	1,541
Total available financing	$1,718,379	$1,757,340

Source: County of San Diego.

Fiscal Year 1993/94

The Governor's proposed State budget for 1993-94 would shift about $2.6 billion in property tax revenue from local agencies to school and community college districts. It is not clear how much of this amount is proposed to be shifted from counties. At this time, the County is unable to predict what form the final adopted State budget will take, but a balanced "baseline" budget for 1993/94, based on very preliminary worst case estimates is scheduled to be presented to the Board of Supervisors in early June. This proposed budget anticipates a $34 million reduction in property tax revenue and a $9.5 million decrease in trial court funding from the State. If this budget is accepted by the Board of Supervisors in June, there will be significant across the board reductions in most County service levels effective in early July. Proposals to allow counties to eliminate State mandated programs and to raise local taxes are under consideration.

Retirement Program

The employees retirement system of the County, established July 1, 1939 under provisions of the County Employees' Retirement Law of 1937, is a contributory type plan covering substantially all permanent employees. The plan is integrated with the federal Social Security System. For the Fiscal Year 1991/92, contributions to the retirement fund amounted to approximately $94.5 million by the County and $5.4 million by employee members. All prior services liabilities arising from services rendered prior to July 1, 1939, were fully funded by June 30, 1965. Subsequently the County has adopted a number of revisions to the retirement system which have materially affected the liabilities and financing of the retirement fund. On August 15, 1978, the County adopted a second tier to the retirement system providing a lower contribution rate and reduced benefits to employees entering the system after October 1, 1978. There are 3,397 current employee members in Tier I and 12,587 current members in Tier II as of June 30, 1992.

The retirement system operates on a Fiscal Year basis and has an actuarial valuation prepared annually. At June 30, 1992, the date of the most recent actuarial valuation report, the actuarial accrued liability was $1.75 billion, of which $1.27 billion, or 72.9%, was funded. The actuarially computed liabilities are based upon assumptions which make provisions for future salary increases resulting from inflationary factors. Because of the large increase in County contributions required when provisions for inflationary salary increases were first included in the actuarial valuation (December 31, 1977), a five-year phase-in of this increase was initiated in 1978/79. Additional costs resulting from retiree health insurance and death benefits are paid on a current basis from surplus investment earnings in the fund. For Fiscal Year 1981/82, as a result of salary negotiations, the County implemented a plan to pay for a portion of the employees obligation for contributions to the retirement system.

Shown below are the County contributions to the retirement system.

Employer Contributions to Retirement System
Fiscal Years 1984/85 - 1992/93

1984/85	$45,925,182	1989/90	$65,391,658
1985/86	53,151,939	1990/91	78,046,026
1986/87	55,612,067	1991/92	92,482,653
1987/88	62,296,148	1992/93	97,499,000
1988/89	58,787,592	1993/94 (1)	99,600,000

(1) Estimated.
Source: County of San Diego Auditor and Controller.

Revisions to the retirement system, especially the cumulative inflationary effect of the cost of living benefit formula, resulted in an unfunded actuarial accrued liability, which is being funded over a 30-year period ending December 31, 2007. The unfunded actuarial accrued liability at June 30, 1992 was $474 million. The County's method for computing actual contributions (level percentages), while actuarially sound, results in lower amounts being paid in earlier years offset by higher amounts to be contributed in later years.

The book value of bonds held by the employees retirement system was approximately $314.8 million at June 30, 1992 and the estimated market value was $342.4 million. The market value of stocks held as of June 30, 1992, was $752 million, and the cost was $660 million. The market value of real estate held at June 30, 1992 was $96.7 million and the cost was $112.8 million. The money market cash balance on June 30, 1992 was $180 million.

Risk Management

Currently the County participates in a joint insurance purchasing arrangement with the City of San Diego, the San Diego Transit Commission and the San Diego Housing Commission, pursuant to which the four entities purchase casualty (excluding earthquake) and rental interruption insurance from eight private insurers. Six of such insurers are currently rated "A" by A.M. Best, one is currently rated "B++" by A.M. Best and one is currently rated "B+" by A.M. Best. The coverage, including rental interruption coverage, is subject to a limit of $100 million ($50 million in the case of flood) per occurrence and such limit is applicable to the damage to all facilities of all the joint insureds resulting from such occurrence. The deductible under the policies is $25,000 for coverage other than flood and $250,000 for flood.

The County self-funds for public liability, workers' compensation, false arrest, medical malpractice, errors and omissions and forgery. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred are included in the County's budget. County officials believe that the budgeted amounts, together with funds to be provided in the future, will be adequate to meet all self-insured claims for property, general liability, medical malpractice and workers' compensation claims as they come due. In case of a catastrophic event, however, no assurance can be given that such budgeted amounts and funds will be adequate to meet all self-insured claims that will become payable by the County.

County of San Diego Employees

The following table lists the number of County employees for the years 1983 - 1992.

Total Employees

As of June 30	Total
1983	11,288
1984	11,609
1985	11,946
1986	12,835
1987	13,328
1988	14,281
1989	15,057
1990	16,607
1991	17,150
1992	17,022

Source:County of San Diego Auditor and Controller.

County employees are represented by nine unions representing 21 bargaining units. The unions represent approximately 85% of County employees and include the San Diego County Employee's Association; San Diego County Deputy Sheriffs Association; Social Services Union, Local 535, SEIU, AFL-CIO; Deputy District Attorneys' Association; San Diego County Probation Association; District Attorney Investigators' Association; the Service Employees International Union, Local 102, AFL-CIO and CLC; and the American Federation of State, County and Municipal Employees, Council 36, AFL-CIO, Local 3500; and the Deputy County Counsel Association.

Negotiations for agreements extending through June 1994 have been completed, with five employee unions and contracts adopted covering 13,000 employees. Another two unions covering 1,700 employees have agreed to extended agreements through June 30, 1995 with a 4.5% salary increase in Fiscal Year 1994/95 (effective July 8, 1994). One union is still negotiating, with agreement expected by June 30, 1993. These pending negotiations cover an additional 250 employees. The remainder of all employees are unrepresented.

In the budget for Fiscal Year 1992/93, the County has not included any salary or benefit increases. No increases are anticipated during Fiscal Year 1993/94. Agreements negotiated with all County employees, whether union represented or unrepresented, include the use of the Integrated Leave Program or a wage cost reduction plan, both of which reduce wage costs for the 1992/93 and the 1993/94 Fiscal Years. These reductions are estimated to save the County approximately $12,000,000 in each of such two Fiscal Years.

The Service Employees International Union (the "SEIU") has filed suit against the County in the San Diego Superior Court seeking to invalidate the Integrated Leave Program and grant employees represented by San Diego County Employee's Association, Social Services Union, Local 535, SEIU, County Probation Association and the Service Employees International Union, Local 102, an across-the-board 4.5% wage increase. The County believes that there is a low probability of the Union prevailing in this matter.

General Obligation Debt, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. Starting with the financing of the El Cajon Administrative Building in 1955, the County has made use of various lease arrangements with joint powers authorities, a nonprofit corporation, the County Employees' Retirement Association, a redevelopment agency and private parties to finance capital project needs. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds or certificates of participation and then leases the asset or assets to the County.

A summary of the County's lease rental obligations is set forth below.

Long-term Lease Obligations
As of April 12, 1993
(In Thousands)

	Original Obligation Issue	Annual Base Rental 1992/93*
Joint Powers Authorities	$145,180	$ 7,631
Redevelopment Agency	51,000	--
Non-Profit Corporation	202,553	19,028
Private Parties	25,430	2,777
Total	$424,163	$29,436

*The delivery of the Certificates is reflected in the 1992/93 annual base rental which would aggregate $36.6 million without such refunding.
Source: County of San Diego Auditor and Controller.

A summary of general fund long-term obligations payable from the general fund is presented as follows.

Summary of General Long-term Obligations Payable from the General Fund As of June 30, 1992

(In Thousands)

	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Lease Revenue Bonds/Certificates of Participation(1)				
El Cajon-San Diego County Civic Center Authority Lease Revenue Refunding Bonds issued September 1986(2)	4.50-6.85%	2007	$ 61,665	$ 53,260
Vista-County of San Diego Building Authority Certificates of Participation issued April 1987(3)	5.00-7.875	2007	28,380	24,695
San Diego County Capital Asset Leasing Corporation (SANCAL)				
1984 Series A Leasehold Revenue Bonds issued September 1984	7.00-10.0	1993	11,825	2,710
1986 Refunding Leasehold Revenue Bonds issued December 1986(2)	4.00-6.75	2010	29,170	26,485
1987 Series A Leasehold Revenue Bonds issued May 1987	4.75-6.20	1995	10,300	3,800
1989 Leasehold Revenue Bonds issued March 1989(2)	6.25-7.50	2009	20,790	14,200
1989 Certificates of Participation issued November 1989	6.20-7.10	2010	24,433	23,453
1989 Certificates of Participation issued December 1989(2)	6.10-6.80	2011	19,605	19,090
1991 Series A Certificates of Participation issued April 1991(2)	5.25-7.00	2012	40,745	40,745
1991 Certificates of Participation issued September 1991	4.80-6.50	2007	38,045	38,045
Total Lease Revenue Bonds/Certificates of Participation			$284,958	$246,483
Capitalized Leases				
Chula Vista Redevelopment Agency Regional Center Lease beginning July 1979(2)	6.00-6.70%	2007	51,000	40,120
San Diego Regional Building Authority Lease beginning October 1991	4.60-7.45	2019	46,965	46,965
Other capitalized leases with various beginning dates from November 1964 to present	6.45-14.10	1993-2020	24,982	11,799
Total Capitalized Leases			$122,947	$ 98,884
Total			$407,905	$345,367
Accumulated unpaid employee leave benefits				$51,855
Claims & judgments				40,506
Accrued pension contributions				$147,042
Total Long-Term Debt				$584,770

Source: County of San Diego Audited Financial Statements.

(1) In October 1992, $10,465,000 in Certificates of Participation were executed and delivered through the San Diego Regional Building Authority to finance the construction of a facility for the treatment of abused children. In March 1993, $7,640,000 in Certificates of Participation were executed and delivered through SANCAL to finance a variety of County capital projects. The County anticipates that within the next three months the San Diego Regional Building Authority will issue approximately $75,000,000 of Lease Revenue Bonds to finance the new courthouse and justice facilities. All such issues are payable from the General Fund

(2) The proceeds of the Certificates of Participation described in the Official Statement to which this APPENDIX B is appended, together with other available funds, will be used to defease all of these Lease Revenue Bonds/Certificates of Participation and Capitalized Lease.

(3) In March 1993, the Vista - County of San Diego Building Authority issued $26,085,000 in Certificates of Participation that defeased these Certificates of Participation.

Short Term Borrowings

The County issued $260,000,000 and $100,000,000 of Tax and Revenue Anticipation Notes on July 1, 1992 and July 30, 1992, respectively. The 1992 Tax and Revenue Anticipation Notes are scheduled to mature on July 30,1993. The County expects to issue approximately $350,000,000 of tax-exempt and $500,000,000 of taxable Tax and Revenue Anticipation Notes on or about July 1, 1993.

Direct and Overlapping Debt

The County contains numerous municipalities, school districts and special purpose districts such as water districts, all of which have issued general obligation bonds. Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated February 1, 1993. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Direct and Overlapping Bonded Debt
As of May 1, 1993

1992/93 Assessed Valuation: $137,263,578,267 (after deducting $7,113,192,379 redevelopment incremental valuation; includes unitary utility valuation)

DIRECT AND OVERLAPPING BONDED DEBT:	% Applicable	Debt 5/1/93
San Diego County General Fund Obligations	100 %	$339,248,000
San Diego County Superintendent of Schools Certificates of Participation	100	485,500
Metropolitan Water District	15.854	105,581,298
San Diego County Water Authority	100	14,920,000
Community College District Certificates of Participation	100	20,335,000
San Diego Unified School District, Building Corporation and Certificates of Participation	100	233,605,000
Other Unified School Districts and Certificates of Participation	100	50,203,226
High School Districts and Certificates of Participation	100	33,995,190
School Districts and Certificates of Participation	100	85,463,559
Otay Municipal Water District and Improvement Districts	100	21,420,000
Other Municipal Water Districts	100	44,937,000
City of San Diego	100	26,040,000
City of San Diego General Fund Obligations	100	121,545,000
City of Escondido and General Fund Obligations	100	88,010,947
Other Cities	100	6,495,000
Other City General Fund Obligations	100	243,650,000
San Diego Unified Port District	100	2,160,000
San Diego Open Space Park Facilities District	100	66,885,000
Hospital Districts and Hospital Authorities	100	19,990,000
Water, County Water and Irrigation Districts	100	18,199,000
Community Facilities Districts	100	234,470,000
Other Special Districts	100	21,798,000
1915 Act Bonds (Estimated)	100	258,761,748
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		$2,058,198,468(1)
Less: San Diego Unified Port District (100% self-supporting)		2,160,000
San Diego Open Space Park Facilities District #1 (100% self-supporting)		66,885,000
City of Escondido Lease Revenue Bonds (100% self-supporting from tax increment revenues)		41,000,000
Other self-supporting bonds		28,251,250
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		$1,919,902,218

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:
Direct Debt 0.25%
Total Gross Debt 1.50%
Total Net Debt...1.40%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/92: $33,874,348

Source: California Municipal Statistics, Inc.

APPENDIX C

COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 1992

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KPMG Peat Marwick

Certified Public Accountants

750 B Street
San Diego, CA 92101

Independent Auditors' Report

The Honorable Board of Supervisors
of the County of San Diego:

We have audited the general purpose financial statements of the County of San Diego as of and for the year ended June 30, 1992, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of San Diego as of June 30, 1992, the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of San Diego. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG Peat Marwick

October 16, 1992

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GENERAL PURPOSE STATEMENTS

IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, THE FOLLOWING GENERAL PURPOSE STATEMENTS ARE PRESENTED:

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

NOTES TO FINANCIAL STATEMENTS

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1992
With Comparative Figures for June 30, 1991
(In Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS AND OTHER DEBITS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Equity in Pooled Cash and Investments	$ 11,347	51,827	11,013	16,442
Cash with Fiscal Agent		759	21,130	17,572
Collections in Transit	686	200		
Imprest Cash	147	6		
Investments, at Amortized Cost				
Taxes Receivable	49,289	707		
Accounts and Notes Receivable, Net	60,472	7,826	113	5,940
Prepaid Expenses				
Due from Other Funds	270,435	3,785	1,882	6,141
Due from Other Funds - Loans	587	157		251
Inventory of Material and Supplies	9,351	2,037		
Deposits with Others	15	149		3,438
Fixed Assets, Net				
Amount Available in Debt Service Funds				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	$402,329	67,453	34,138	49,784
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 25,814	1,916		4,140
Accrued Payroll	31,734	1,861		
Accrued Interest				
Amount Due for Tax and Revenue Anticipation Notes	210,080			
Due to Other Funds	7,081	4,323	1,094	9,965
Obligation Under Reverse Repurchase Agreements	596	2,720	578	862
Due to Other Funds - Loans		1,717		7,458
Amounts Payable to Grantor Agency				
Amount Due Employees for Deferred Compensation				
Deferred Property Tax Revenue	45,346	650		
Other Deferred Revenue	36,796	1,518		3,756
Tax Collections Due to Other Governmental Entities				
Agency Funds Held for Other Governmental Entities				
Long-Term Debt Payable				
Total Liabilities	357,447	14,705	1,672	26,181
Equity and Other Credits				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Reserved for Revenue Bond Restrictions				
Reserved for Landfill Closure				
Reserved for NCRRA Agreement				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	26,239	11,066		89
Reserved for Loans	3,093	6,781		251
Reserved for Deposits with Others	15	54		
Reserved for Inventory of Material and Supplies	9,351	787		
Reserved for Debt Service			32,400	
Reserved for Retirements				
Unreserved:				
Designated for Subsequent Years' Expenditures	4,272			
Undesignated	1,912	34,060	66	23,263
Total Equity and Other Credits	44,882	52,748	32,466	23,603
Total Liabilities, Equity and Other Credits	$402,329	67,453	34,138	49,784

See Notes to Financial Statements

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1992
With Comparative Figures for June 30, 1991
(In Thousands)

STATEMENT 1A

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	1992	1991
83,841	16,634	2,708,561			2,899,665	2,363,641
		65,989			105,450	109,613
632	52	12,648			14,218	15,522
10	200	70			433	405
		1,088,598			1,088,598	921,205
658		120,260			170,914	136,338
5,319	2	101,460			181,132	196,693
639					639	
2,796	1,057	50,979			337,075	276,684
7,043	1,522				9,560	2,886
151	2,159				13,698	12,478
45					3,647	4,427
78,647	12,881	38	850,449		942,015	858,169
				32,466	32,466	30,464
				552,304	552,304	535,502
179,781	34,507	4,148,603	850,449	584,770	6,351,814	5,464,027
5,463	896	124,104			162,333	63,955
516					34,111	29,680
12					12	13
					210,080	190,052
1,305	814	312,493			337,075	276,684
4,401	873	142,192			152,222	173,297
60		325			9,560	2,886
1,007					1,007	923
		79,141			79,141	66,381
					45,996	37,798
3,957		12			46,039	8,001
		175,979			175,979	142,389
		2,102,664			2,102,664	1,664,231
14,907				584,770	599,677	575,091
31,628	2,583	2,936,910		584,770	3,955,896	3,231,381
			850,449		850,449	782,746
39,561	14,101				53,662	53,666
						17,909
						8,655
10,000					10,000	
98,592	17,823				116,415	97,569
					37,394	52,393
					10,125	9,227
					69	69
					10,138	8,780
					32,400	29,759
		1,211,693			1,211,693	1,072,026
					4,272	5,717
					59,301	94,130
148,153	31,924	1,211,693	850,449		2,395,918	2,232,646
179,781	34,507	4,148,603	850,449	584,770	6,351,814	5,464,027

See Notes to Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1992
With Comparative Figures for Year Ended June 30, 1991
(In Thousands)

STATEMENT 1B

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTALS (MEMORANDUM ONLY) 1992	TOTALS (MEMORANDUM ONLY) 1991
Revenues:						
Taxes	$ 371,043	15,993		2,100	389,136	373,732
Licenses, Permits, and Franchises	18,471	8,426			26,897	26,097
Fines, Forfeitures, and Penalties	12,051	3,082		7,219	22,352	21,917
Revenue from Use of Money and Property	18,598	4,809	2,978	2,401	28,786	28,639
Aid from Other Governmental Agencies - State	731,055	33,717		13,992	778,764	667,298
Aid from Other Governmental Agencies - Federal	420,689	34,938		291	455,918	389,804
Aid from Other Governmental Agencies - Other	7,458	5,763		892	14,113	13,026
Charges for Current Services	128,697	22,725		801	152,223	147,465
Other Revenue	11,979	1,031		25	13,035	13,343
Total Revenues	1,720,041	130,484	2,978	27,721	1,881,224	1,681,321
Expenditures:						
Current:						
General	173,217	39,402			212,619	200,288
Public Protection	413,237	4,361			417,598	383,632
Public Ways and Facilities	1,139	63,974			65,113	57,775
Health and Sanitation	233,805	13,051			246,856	228,617
Public Assistance	879,859				879,859	737,722
Education	291	9,257			9,548	9,651
Recreational and Cultural	6,229	280			6,509	6,481
Capital Outlay	3,745			77,994	81,739	81,315
Debt Service	12,085		27,640		39,725	36,383
Total Expenditures	1,723,607	130,325	27,640	77,994	1,959,566	1,761,864
Excess of Revenues Over (Under) Expenditures	(3,566)	159	(24,662)	(50,273)	(78,342)	(60,543)
Other Financing Sources (Uses):						
Sale of Fixed Assets	150	23		473	646	674
Issuance of Lease Purchases	3,745				3,745	
Operating Transfers In	10,568	23,710	30,925	43,632	108,835	103,232
Operating Transfers (Out)	(28,104)	(25,673)	(4,213)	(50,845)	(108,835)	(101,839)
Contribution from Property Owners				25,821	25,821	
Long-Term Debt Proceeds		448		37,084	37,532	40,337
Transfers to Escrow Agent		(4)	(48)	(37,084)	(37,136)	
Total Other Financing Sources (Uses)	(13,641)	(1,496)	26,664	19,081	30,608	42,404
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(17,207)	(1,337)	2,002	(31,192)	(47,734)	(18,139)
Fund Balances - Beginning of Year	60,666	54,150	30,464	54,795	200,075	217,051
Residual Equity Transfers From (To) Other Funds	3	(3)			-0-	
Increase (Decrease) in:						
Reserve for Inventory of Material and Supplies	1,420	(62)			1,358	1,163
Fund Balances - End of Year	$ 44,882	52,748	32,466	23,603	153,699	200,075

See Notes to Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1992
(In Thousands)

STATEMENT 1C

	GENERAL FUND		
	ACTUAL BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	$ 371,043	390,621	(19,578)
Licenses, Permits, and Franchises	18,471	21,207	(2,736)
Fines, Forfeitures, and Penalties	12,051	17,008	(4,957)
Revenue from Use of Money and Property	18,598	18,410	188
Aid from Other Governmental Agencies - State	731,055	762,142	(31,087)
Aid from Other Governmental Agencies - Federal	420,689	419,240	1,449
Aid from Other Governmental Agencies - Other	7,458	8,863	(1,405)
Charges for Current Services	128,697	145,468	(16,771)
Other Revenue	11,979	13,820	(1,841)
Total Revenues	1,720,041	1,796,779	(76,738)
Expenditures:			
Current:			
General	179,657	208,966	29,309
Public Protection	420,980	434,847	13,867
Public Ways and Facilities	1,113	1,739	626
Health and Sanitation	241,386	268,547	27,161
Public Assistance	882,247	909,546	27,299
Education	291	299	8
Recreational and Cultural	6,386	7,267	881
Capital Outlay			
Debt Service	12,085	12,300	215
Total Expenditures	1,744,145	1,843,511	99,366
Excess of Revenues Over (Under) Expenditures	(24,104)	(46,732)	22,628
Other Financing Sources (Uses):			
Sale of Fixed Assets	150	150	-0-
Operating Transfers In	10,568	10,851	(283)
Operating Transfers (Out)	(30,060)	(30,758)	698
Contribution from Property Owners			
Long-Term Debt Proceeds			
Total Other Financing Sources (Uses)	(19,342)	(19,757)	415
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(43,446)	(66,489)	23,043
Fund Balances - Beginning of Year	60,666	60,666	-0-
Residual Equity Transfers From (To) Other Funds	3		3
Increase (Decrease) in: Reserve for Inventory of Material and Supplies	1,420		1,420
Fund Balances - End of Year	$ 18,643	(5,823)	24,466

See Notes to Financial Statements

Continued on next page

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1992
(In Thousands)

STATEMENT 1C (continued)

	SPECIAL REVENUE FUNDS		
	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	$ 15,993	36,216	(20,223)
Licenses, Permits, and Franchises	8,426	9,469	(1,043)
Fines, Forfeitures, and Penalties	3,082	5,310	(2,228)
Revenue from Use of Money and Property	4,776	4,059	717
Aid from Other Governmental Agencies - State	33,717	36,423	(2,706)
Aid from Other Governmental Agencies - Federal	34,938	56,030	(21,092)
Aid from Other Governmental Agencies - Other	5,763	5,015	748
Charges for Current Services	22,725	31,986	(9,261)
Other Revenue	1,031	2,616	(1,585)
Total Revenues	130,451	187,124	(56,673)
Expenditures:			
Current:			
General	38,986	63,327	24,341
Public Protection	4,665	8,214	3,549
Public Ways and Facilities	70,396	107,499	37,103
Health and Sanitation	14,308	16,942	2,634
Public Assistance			
Education	9,301	10,064	763
Recreational and Cultural	305	10,054	9,749
Capital Outlay			
Debt Service			
Total Expenditures	137,961	216,100	78,139
Excess of Revenues Over (Under) Expenditures	(7,510)	(28,976)	21,466
Other Financing Sources (Uses):			
Sale of Fixed Assets	23		23
Operating Transfers In	4,447	4,433	14
Operating Transfers (Out)	(9,777)	(11,077)	1,300
Contribution from Property Owners			
Long-Term Debt Proceeds			
Total Other Financing Sources (Uses)	(5,307)	(6,644)	1,337
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(12,817)	(35,620)	22,803
Fund Balances - Beginning of Year	53,724	53,724	-0-
Residual Equity Transfers From (To) Other Funds	(3)		(3)
Increase (Decrease) in:			
Reserve for Inventory of Material and Supplies	(62)		(62)
Fund Balances - End of Year	$ 40,842	18,104	22,738

See Notes to Financial Statements

Continued on next page

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1992
(In Thousands)

STATEMENT 1C (continued)

	CAPITAL PROJECT FUNDS		
	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	$ 2,100	11,265	(9,165)
Licenses, Permits, and Franchises			
Fines, Forfeitures, and Penalties	7,219	13,073	(5,854)
Revenue from Use of Money and Property	830	80	750
Aid from Other Governmental Agencies - State	13,992	37,794	(23,802)
Aid from Other Governmental Agencies - Federal	291	1,953	(1,662)
Aid from Other Governmental Agencies - Other	892	5,666	(4,774)
Charges for Current Services	801	7,008	(6,207)
Other Revenue	25	197	(172)
Total Revenues	26,150	77,036	(50,886)
Expenditures:			
Current:			
General			
Public Protection			
Public Ways and Facilities			
Health and Sanitation			
Public Assistance			
Education			
Recreational and Cultural			
Capital Outlay	76,640	151,236	74,596
Debt Service			
Total Expenditures	76,640	151,236	74,596
Excess of Revenues Over (Under) Expenditures	(50,490)	(74,200)	23,710
Other Financing Sources (Uses):			
Sale of Fixed Assets	473	337	136
Operating Transfers In	40,087	62,208	(22,121)
Operating Transfers (Out)	(28,293)	(28,306)	13
Contribution from Property Owners	25,821		25,821
Long-Term Debt Proceeds		6,890	(6,890)
Total Other Financing Sources (Uses)	38,088	41,129	(3,041)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(12,402)	(33,071)	20,669
Fund Balances - Beginning of Year	8,301	8,301	-0-
Residual Equity Transfers From (To) Other Funds			
Increase (Decrease) in:			
Reserve for Inventory of Material and Supplies			
Fund Balances - End of Year	$(4,101)	(24,770)	20,669

See Notes to Financial Statements

Continued on next page

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1992
(In Thousands)

STATEMENT 1C (continued)

	TOTALS (MEMORANDUM ONLY)		
	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	$ 389,136	438,102	(48,966)
Licenses, Permits, and Franchises	26,897	30,676	(3,779)
Fines, Forfeitures, and Penalties	22,352	35,391	(13,039)
Revenue from Use of Money and Property	24,204	22,549	1,655
Aid from Other Governmental Agencies - State	778,764	836,359	(57,595)
Aid from Other Governmental Agencies - Federal	455,918	477,223	(21,305)
Aid from Other Governmental Agencies - Other	14,113	19,544	(5,431)
Charges for Current Services	152,223	184,462	(32,239)
Other Revenue	13,035	16,633	(3,598)
Total Revenues	1,876,642	2,060,939	(184,297)
Expenditures:			
Current:			
General	218,643	272,293	53,650
Public Protection	425,645	443,061	17,416
Public Ways and Facilities	71,509	109,238	37,729
Health and Sanitation	255,694	285,489	29,795
Public Assistance	882,247	909,546	27,299
Education	9,592	10,363	771
Recreational and Cultural	6,691	17,321	10,630
Capital Outlay	76,640	151,236	74,596
Debt Service	12,085	12,300	215
Total Expenditures	1,958,746	2,210,847	252,101
Excess of Revenues Over (Under) Expenditures	(82,104)	(149,908)	67,804
Other Financing Sources (Uses):			
Sale of Fixed Assets	646	487	159
Operating Transfers In	55,102	77,492	(22,390)
Operating Transfers (Out)	(68,130)	(70,141)	2,011
Contribution from Property Owners	25,821		25,821
Long-Term Debt Proceeds		6,890	(6,890)
Total Other Financing Sources (Uses)	13,439	14,728	(1,289)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(68,665)	(135,180)	66,515
Fund Balances - Beginning of Year	122,691	122,691	-0-
Residual Equity Transfers From (To) Other Funds	-0-	-0-	-0-
Increase (Decrease) in:			
Reserve for Inventory of Material and Supplies	1,358		1,358
Fund Balances - End of Year	$ 55,384	(12,489)	67,873

See Notes to Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
Year Ended June 30, 1992
With Comparative Figures for Year Ended June 30, 1991
(In Thousands)

STATEMENT 10

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	1992	1991
Operating Revenues:					
Charges for Services	$ 66,511	28,471		94,982	89,615
Investment Income			121,146	121,146	90,029
Contributions			99,919	99,919	84,046
Total Operating Revenues	66,511	28,471	221,065	316,047	263,690
Operating Expenses:					
Salaries	10,634		1,447	12,081	9,372
Benefit Payments			66,047	66,047	60,972
Cost of Materials		19,465		19,465	22,094
Repairs and Maintenance	6,658	3,801		10,459	10,354
Fuel		731		731	935
Equipment Rental	2,290			2,290	1,452
Sewage Processing	1,866			1,866	1,421
Contracted Services	33,340			33,340	20,666
Depreciation	2,975	1,750		4,725	3,539
Utilities	234			234	223
Other	16,234	3,059	13,904	33,197	24,984
Total Operating Expenses	74,231	28,806	81,398	184,435	156,012
Operating Income (Loss)	(7,720)	(335)	139,667	131,612	107,678
Nonoperating Revenues:					
Interest	7,078	1,346		8,424	8,872
Taxes	47			47	49
Grants	634			634	344
Gain on Disposal of Equipment					1
Other	1,474			1,474	1,568
Total Nonoperating Revenues	9,233	1,346		10,579	10,834
Nonoperating Expenses:					
Interest on Long-Term Debt	31			31	34
Loss on Disposal of Equipment	2	170		172	332
Other	326	189		515	938
Total Nonoperating Expenses	359	359		718	1,304
Nonoperating Income (Loss)	8,874	987		9,861	9,530
Income (Loss) Before Operating Transfer	1,154	652	139,667	141,473	117,208
Operating Transfer (Out)					(1,393)
Net Income (Loss)	1,154	652	139,667	141,473	115,815
Depreciation on Grant Funded Fixed Assets	476			476	373
Increase (Decrease) in Retained Earnings	1,630	652	139,667	141,949	116,188
Retained Earnings/Fund Balance - Beginning Balance	106,962	17,171	1,072,026	1,196,159	1,079,971
Retained Earnings/Fund Balance - Ending Balance	$108,592	17,823	1,211,693	1,338,108	1,196,159

See Notes to Financial Statements

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 1992
With Comparative Figures for June 30, 1991
(In Thousands)

STATEMENT 1E

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	1992	1991
Cash Flows from Operating Activities:				
Operating Income (Loss)	$(7,720)	(335)	(8,055)	7,351
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	2,975	1,750	4,725	3,539
Decrease (Increase) in Taxes Receivable	(185)		(185)	6
Decrease (Increase) in Accounts Receivable and Notes Receivable, Net	(849)	2	(847)	621
Decrease (Increase) in Due from Other Funds	(356)	347	(9)	308
Decrease (Increase) in Inventory of Material and Supplies, Net	47	8	55	22
Increase (Decrease) in Accounts Payable	7,555	(382)	7,173	370
Increase (Decrease) in Accrued Payroll	94		94	91
Increase (Decrease) in Due to Other Funds	(622)	(948)	(1,570)	(129)
Increase (Decrease) in Amount Payable to Grantor Agency	84		84	71
Increase (Decrease) in Long-Term Debt Payable	3,035		3,035	6,663
Increase (Decrease) in Deferred Revenue	40		40	
Increase (Decrease) in Prepaid Expense	(639)		(639)	
Net Cash Provided (Used) by Operating Activities	3,459	442	3,901	18,913
Cash Flows from Non-Capital Financing Activities:				
Payments to Other Funds		(189)	(189)	(287)
Loan Made to Other Agency	(6,369)		(6,369)	(55)
Payment Received (Advances Made) on Long-Term Loan		(67)	(67)	296
Grant Revenue	634		634	349
Other Revenue	1,517		1,517	1,617
Advances from Governmental Agencies	381		381	30
Other Expenditures	(326)		(326)	(650)
Net Cash Provided (Used) by Non-Capital Financing Activities	(4,163)	(256)	(4,419)	1,300
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Fixed Assets	(16,696)	(4,095)	(20,791)	(7,936)
Proceeds from Sales of Equipment	8	142	150	315
Capital Contributions				(50)
Grant Revenue	108		108	122
Principal Paid on Long-Term Debt	(114)		(114)	(136)
Interest Paid on Long-Term Debt	(32)		(32)	
Deposit with Others	(45)		(45)	
Proceeds from Loan	60		60	(35)
Net Cash Provided (Used) by Capital and Related Financing Activities	(16,711)	(3,953)	(20,664)	(7,720)
Cash Flows from Investing Activities:				
Interest	7,303	1,346	8,649	8,676
Net Increase (Decrease) in Cash and Cash Equivalents	(10,112)	(2,421)	(12,533)	21,169
Cash and Cash Equivalents-Beginning of Year	90,194	18,434	108,628	87,459
Cash and Cash Equivalents-End of Year	$80,082	16,013	96,095	108,628

See Notes to Financial Statements

Continued on next page

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 1992
With Comparative Figures for June 30, 1991
(In Thousands)

STATEMENT 1E (continued)

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	1992	1991
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:				
Total Cash and Investments Per Balance Sheet	$84,483	16,886	101,369	117,132
Less: Investments Not Meeting the Definition of Cash Equivalents	4,401	873	5,274	8,504
Cash and Cash Equivalents - End of Year	$80,082	16,013	96,095	108,628

Noncash Investing, Capital Financing Activities:
Fixed asset contributions amounted to $1 thousand to the Airport Enterprise Fund and $9 thousand to the Solid Waste Enterprise Fund.

Sanitation and Water Districts - Fixed Assets (Sewer Lines) were donated to Sanitation Districts by various developers in the amount of $272 thousand.

Fixed asset contributions from other funds amounted to $80.0 thousand.

Allocated Reverse Repurchases are not included as a cash flow item per GASB Statement No. 9.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Diego (County) conform to generally accepted accounting principles (GAAP) applicable to governmental units. The following is a summary of the more significant of such policies.

A. SCOPE OF FINANCIAL REPORTING ENTITY

The accompanying financial statements report on the financial activities of the County and those County-related entities that meet the criteria for inclusion established by the National Council on Governmental Accounting, Statement 3, as adopted by the Governmental Accounting Standards Board (GASB). The basic criterion for including other entities within the County's financial statements is the exercise of oversight responsibility over such other entities by the County Board of Supervisors. In determining the County's exercise of oversight responsibility with respect to another entity, consideration is given to such factors as: financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The County, therefore, has included the following entities in its financial statements.

County Service Areas
Flood Control Districts
Lighting Maintenance Districts
Spring Valley Park & Recreation District
Air Pollution Control District
County of San Diego Housing Authority
Sanitation and Water Districts
El Cajon-San Diego County Civic Center Authority
Vista-County of San Diego Building Authority
San Diego County Ramona Administrative Building Authority
San Diego County Redevelopment Agency
San Diego County Capital Asset Leasing Corporation (SANCAL)
San Diego County Employees' Retirement Association

The first six entities in the above list are included as special revenue funds, the sanitation and water districts as enterprise funds, and the Joint Powers Authorities and the Redevelopment Agency as capital projects and debt service funds. SANCAL, a non-profit corporation, is included as a special revenue fund, capital projects fund and a debt service fund. The financial position and results of operations of the San Diego County Employees' Retirement Association are included herein. The Association is governed by a nine person Board of Directors: four members of which are elected by retired and present employee members of the Association; four members of which are appointed by the County Board of Supervisors; one member is represented by the County Treasurer, an independently elected County Officer. Although the County Board of Supervisors has no authority over the day-to-day operations of the Retirement Association's financial activities and may not appropriate the Association's operating surplus, the Board of Supervisors is required to finance Association actuarial deficits through increased contribution rates. As a result of the Association's financial interdependency with the County, the Association is classified as a pension trust fund.

Activities of the Chula Vista Redevelopment Agency have not been included since its operations are administered by an independent elected legislative body. Also, activities of the San Diego Regional Building Authority have not been included since the County Board of Supervisors has no authority to govern, manage, assume fiscal accountability, or approve budgets. Both Agencies have entered into long-term capital leases with the County which are reflected in the County's General Fixed Assets Account Group and the General Long-Term Debt Account Group.

Other local governmental entities provide public services to the residents of the County including 18 cities, 43 school districts, and numerous special districts that provide specialized services such as fire protection, sanitation and water services to County residents. The operations of these entities have not been included since each entity is responsible for conducting its own day-to-day operations and is accountable to its own separately elected governing board. The County Board of Supervisors has no authority to govern, manage, approve budgets, assume fiscal accountability, establish revenue limits, or appropriate surplus funds available in these entities. However, assets held by the County in its capacity as an agent for these entities are included in the agency funds. Complete financial statements are available from each individual entity.

B. <u>BASIS OF PRESENTATION</u>

The financial transactions of the County are recorded in individual funds and account groups. The various funds and account groups are reported by type in the financial statements. Amounts in the "totals-memorandum only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, and the caption "amount to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "totals-memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the County.

The County uses the following fund categories, fund types, and account groups:

Governmental Fund Types

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund is the County's operating fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Included in these funds are the general funds of various component entities as described in Note 1A.

Debt Service Fund - To account for the accumulation of resources for the payment of principal and interest on general long-term debt.

Capital Project Funds - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

Proprietary Fund Types

Enterprise Funds - To account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - To account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types

Pension Trust Fund.- To account for the financial activities of the San Diego County Employees' Retirement Association.

Agency Funds - To account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not purport to present the financial position or results of operations of the related entities.

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of the County, except those accounted for in the proprietary fund-type.

General Long-Term Debt Account Group - To account for all long-term obligations of the County, except those accounted for in the proprietary fund-type.

C. <u>BASIS OF ACCOUNTING</u>

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Governmental and Agency fund types are accounted for on the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues which are accrued include real and personal property taxes, sales tax, interest, and state and federal grants and subventions. Real property taxes are levied on October 15 against owners of record at March 1, the lien date. The taxes are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Property tax revenue is recognized in the fiscal year for which taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due; (2) prepaid expenses which are reported as current period expenditures, rather than allocated; and (3) accumulated unpaid vacation, sick leave, and other employee benefits which are reported in the period due and payable rather than in the period earned by employees.

The Pension Trust Fund and proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

D. BUDGETARY ACCOUNTING

General Budget Policies

An operating budget is adopted each fiscal year for the governmental funds. Annual budgets are not required to be adopted for Joint Powers Authorities and SANCAL, a non-profit corporation. Accordingly, Special Revenue, Debt Service, and Capital Projects Funds for those entities are not included in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis). Encumbrances are treated as budgeted expenditures in the year the commitment to purchase is incurred. Additionally, long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired and deposits with other governmental agencies are budgeted as expenditures in the year deposited. For purposes of a budgetary presentation, actual GAAP expenditures have been adjusted to include encumbrances outstanding at year end and deposits with other governmental agencies, if any, treated as budgeted expenditures in the year incurred, and to exclude long-term capital leases recorded as long-term obligations of the County. Departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations. Therefore, variances between estimated transfers and actual transfers are not displayed in the general purpose financial statements, but are displayed as a General Fund schedule within the Comprehensive Annual Financial Report.

The following encumbrance amounts existed at year end and therefore were included in the Statements of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) in order to provide a meaningful comparison of the actual results of operations with the budget (in thousands):

		Encumbrances
General Fund	$	26,239
Special Revenue Funds		11,066
Capital Projects Funds		89

Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. All amendments to the adopted budget require Board approval and, as such, reported budget figures are as originally adopted or subsequently amended by the Board. Supplemental appropriations during the year ended June 30, 1992, amounted to $156,100,789 in the General Fund. Unencumbered appropriations lapse at year end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental fund types. Encumbrances outstanding at year end do not constitute expenditures or liabilities, but are reported as reservations of fund balance for subsequent-year expenditures.

The following schedule is a reconciliation of the budgetary and GAAP fund balances (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Fund Balance-Budgetary Basis	$18,643	40,842	-0-	(4,101)
Encumbrances Outstanding at Year End	26,239	11,066		89
Fund Balances-Non Budgeted Funds	-0-	840	32,466	27,615
Fund Balances-GAAP Basis	$44,882	$52,748	$32,466	$23,603

E. ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Investments

Investments in the County's cash and investment pool as well as other investments are stated at original cost with the exception of deferred compensation investments which are stated at market value. For purposes of reporting cash flows, all amounts reported as "Equity in Pooled Cash and Investments", "Collections in Transit", and "Imprest Cash" are considered cash equivalents. Pooled cash and investment amounts represent monies deposited in the County Treasurer's cash management pool and are similar in nature to demand deposits, i.e., funds may be deposited and withdrawn at any time without prior notice or penalty. Allocations of assets and liabilities to individual funds related to reverse repurchase agreements of the County's cash and investment pool are not considered cash equivalents for purposes of cash flow reporting.

Inventories

Inventories, which consist of expendable supplies, are stated at average cost. They are accounted for as expenditures at the time of purchase and reported in the balance sheet of the General Fund and the Special Revenue Funds of the County Library and Special Districts as an asset with an offsetting reserve. Inventory held by the Road Fund, a special revenue fund, and the proprietary fund types is carried at average cost and is expended when consumed.

Fixed Assets

General fixed assets are recorded as expenditures in the governmental fund types at time of purchase. These assets are capitalized at cost in the General Fixed Assets Account Group. In the case of acquisitions through gifts or contributions, such assets are recorded at fair market value at the time received. No depreciation has been provided on general fixed assets. Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, have not been capitalized. Such assets normally are immovable and of value only to the County; therefore, the purposes of stewardship and cumulative accountability for capital expenditures are satisfied without recording these assets. Proprietary fund type fixed assets are reported in those funds at cost or estimated fair market value at time of donation. Depreciation is charged to operations of proprietary funds over the fixed assets' estimated useful lives using the straight-line method for structures and improvements, and the hours/miles-of-service method for equipment. The estimated useful lives are as follows:

Structure & Improvements	5-50 years
Equipment	4-20 years

Long-Term Liabilities

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group. Long-term liabilities of all proprietary fund types are accounted for in the respective funds.

Accumulated leave benefits including vacation, sick leave and compensatory time worked in the amount of $51,854,841 for the governmental fund types at June 30, 1992, is also recorded in the General Long-Term Debt Account Group. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

Reservation/Designation of Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Comparative Data/Totals Only

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. Also, certain of the prior year amounts have been reclassified to conform with the current year financial statement presentations.

2. FUND DEFICITS

The following funds have an accumulated deficit at June 30, 1992 (in thousands):

Special Revenue Fund	
Flood Control Districts	$ 151
Capital Projects Funds	
Capital Outlay	$3,710
San Diego County Redevelopment Agency (SDCRA)	$ 624
Enterprise Fund	
Liquid Waste	$ 467

The deficits within the Flood Control Districts and the SDCRA funds are due to the use of loan proceeds in advance of the receipt of benefit fees or incremental tax revenues. The deficit within the Capital Outlay Fund is due to the use of temporary loan proceeds in advance of the receipt of proceeds from long-term debt. The deficit within the Liquid Waste Fund is due to inadequate cost recovery from user fees. These deficits are expected to be reduced in future years as expected revenues are realized and fees are adjusted to cover costs.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. EQUITY IN POOLED CASH AND INVESTMENTS, CASH, INVESTMENTS, AND OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS

The County maintains a cash and investment pool that is available for use by all funds of the County as well as the funds of other agencies for which the County treasury is the depository. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." Interest earned on the pooled funds is accrued in a pooled interest apportionment fund and is allocated based on the average daily cash balances of the participating funds.

"Cash with Fiscal Agents" represents amounts on deposit with trustees for Joint Powers Authorities, SANCAL, County revolving funds and deferred compensation.

"Investments" represents Pension Trust Fund investments and bonds held for other agencies.

Deposits: At year end the carrying value and bank balance of the County's deposits was $166,088,000. Of the bank balance, $1,100,000 was covered by federal depository insurance. The remaining $164,988,000 was collateralized according to State statutes which require depositories having public funds on deposit to maintain a pool of securities with the agent of the depository having a market value of at least 10 percent in excess of the total amount of all public funds on deposit. These securities are held by the depository's trust department or agent in the County's name.

Investments: State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase and reverse repurchase agreements, and negotiable certificates of deposit issued by national and state licensed or chartered banks or federal or state savings and loan associations. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize "Prudent Expert" guidelines as to the form and types of investments which may be purchased. The County's investments categorized by type, carrying value, and market value at June 30, 1992, are shown below. All investments are either held by the County or its agent in the County's name.

	Carrying Amount (In Thousands)	Market Value (In Thousands)
Repurchase agreements	$ 156,000	$ 156,018
U.S. Government securities	868,333	907,995
Negotiable certificates of deposit	764,835	775,005
Commercial paper	228,242	229,552
Corporate notes	463,933	472,479
Corporate bonds	314,873	342,370
Common and preferred stock	660,419	751,592
Mutual Funds	200,000	201,118
Other	118,747	102,716
Total Investments held by County or its agent in the County's name	$3,775,382	$3,938,845
Investments held by broker-dealers under reverse repurchase agreements:		
U.S. Government Securities	151,755	157,134
Total Investments of the County	$3,927,137	$4,095,979
Investments held by the County for other agencies	488	488
Total Investments	$3,927,625	$4,096,467

Due to significantly higher cash flows and market conditions at certain times during the year, the County's investments in repurchase agreements increased significantly and were substantially higher at those times than at year end.

Reverse Repurchase Agreements: State statutes permit the County to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was $4,278,765.

B. GENERAL FIXED ASSETS

The following is a summary of investment in general fixed assets by sources and a summary of changes in general fixed assets as of and for the year ended June 30, 1992.

Source of Investment in General Fixed Assets
By Fund at June 30, 1992 (in thousands)

General Fund:	
General Fund Revenues	$610,029
Federal and State Grants	4,278
Special Revenue Funds:	
Special Revenue Fund Revenues	14,008
Special Revenue State & Federal Grants	467
Capital Projects Funds:	
Lease Revenue Bonds	118,663
Certificates of Participation	103,004
Total	$850,449

Summary of Changes in General Fixed Assets by Class
For the Year Ended June 30, 1992 (in thousands)

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Land	$128,111	$ 22,195	$ 2,474	$147,832
Structures & Improvements	341,410	11,063	369	352,104
Equipment	206,993	15,103	42,080	180,016
Construction in Progress	106,232	70,766	6,501	170,497
Total	$782,746	$119,127	$51,424	$850,449

C. PROPRIETARY FUND TYPE FIXED ASSETS

Following is a summary of Proprietary Fund Type Fixed Assets by class as of June 30, 1992 (in thousands):

	Enterprise	Internal Service
Land	$24,855	$
Structures & Improvements	65,650	180
Equipment	9,127	21,269
Construction in Progress	10,811	
Total	110,443	21,449
Less Accumulated Depreciation	31,796	8,568
Net	$78,647	$12,881

D. SAN DIEGO COUNTY EMPLOYEES' RETIREMENT SYSTEM

(1) Plan Description

The County contributes to the San Diego County Employees' Retirement Association (SDCERA), a single employer defined benefit pension plan, established July 1, 1939, under provisions of the County Retirement Law of 1937. This is a contributory type plan covering substantially all employees. The system is administered by an independent Board of Retirement. The plan is integrated with the Federal Social Security System. The County's payroll for employees covered by the system for the year ended June 30, 1992, was $516.7 million. Total payroll for all employees at June 30, 1992, was $551.7 million.

At June 30, 1992, SDCERA membership consisted of:

Retirees, beneficiaries and terminated members entitled to benefits, but not yet receiving them:

General	7,237
Safety	566
Total	7,803

Current Employees:

Vested:	
General	7,639
Safety	1,162
Non-vested:	
General	6,664
Safety	651
Total	16,116

All full-time permanent County employees are eligible to participate in the system. On August 15, 1978, the Association adopted a second tier to the system providing lower contribution rates and reduced benefits to employees entering the system after October 1, 1978. Employees must have 10 years of service and reach age 50 (Tier I) or age 55 (Tier II) in order to receive benefits. General members in Tier I may receive a maximum of 2 percent of their highest year average salary for each year of credited service for life providing they retire after age 57. Tier I members retiring before age 57 receive a prorata share of the maximum benefit. General members in Tier II receive 1.7 percent of their highest three years average annual salary for each year of credited service for life after reaching age 55. The system also provides death and disability benefits established by State and County ordinances. Employees fully vest after 10 years of service and partially vest after five years of service, receiving a prorata share of benefits due a fully vested employee upon attaining retirement age.

County employees are required to contribute to the system based on age at entry, tier classification, and certain labor negotiated contracts which provide for the County to pay a portion of the employee contribution.

(2) Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of the credited projected benefits and is intended to help users assess SDCERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the PERS, discussed in (4) below.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1992. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 1/2 percent per year, attributable to seniority/merit, and (d) 3 percent postretirement benefit increases for Tier I and 2 percent for Tier II.

At June 30, 1992, the unfunded pension benefit obligation was $414.3 million as follows (in millions):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 801.5
Current employees:	
Accumulated employee contributions including allocated investment income	164.1
Employer-financed vested	581.0
Employer-financed nonvested	52.2
Total pension benefit obligation	1,598.8
Net assets available for benefits, at cost (market value is $1,287.8)	1,184.5
Unfunded pension benefit obligation	$ 414.3

(3) Actuarially Determined Contribution Requirements and Contributions Made

SDCERA funding policy provides for periodic employer contributions that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Employer contribution rates as level percentages of payroll are determined using the entry age actuarial funding method. SDCERA also uses the level percentage of payroll method to amortize the unfunded liability over a closed 15 year period.

Contributions for fiscal year 1991-92 totaling $99,919,662 ($94,494,307 employer and $5,425,355 employee) were made in accordance with actuarially determined contributions determined through an actuarial valuation performed at June 30, 1990. These contributions consisted of (a) $54,201,079 normal cost (10.7 percent of current covered payroll for fiscal year 1991-92 and (b) $40,293,228 amortization of the unfunded actuarial accrued liability (7.8 percent of current covered payroll for fiscal year 1991-92). The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation in D (2) above.

(4) Trend Information

Ten year historical trend information of SDCERA showing progress made in accumulating sufficient assets to pay benefits when due is presented in the SDCERA comprehensive annual financial report. Trend information for years prior to fiscal year 1988-89 is presented on a calendar year basis. For fiscal years 1989-90, 1990-91, and 1991-92, respectively, available assets were sufficient to fund 70.1, 71.7 and 74.1 percent of the pension benefit obligation. Unfunded pension benefit obligation represented 94.7, 88.1, and 80.2 percent of the annual payroll for employees covered by the PERS for fiscal year 1989-90, 1990-91 and 1991-92, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the above years, the County's contribution to the PERS, all made in accordance with actuarially determined requirements, were 15.5, 16.7, and 18.3 percent, respectively of annual covered payroll.

(5) Postretirement Health Care Benefits:

Depending on the availability of fund earnings, SDCERA provides postretirement health care benefits on a pay as you go basis for retirees who have had at least ten years employment with the County. SDCERA contributes health insurance premiums for five sponsored health maintenance organizations of $160 per month for each retiree under the age of 65 and $83 per month for each retiree over the age of 65 plus a cost of living adjustment based on years since retirement. Premium amounts in excess of these amounts are paid by the retiree. SDCERA also reimburses a fixed amount of $30 per month for a Medicare supplement for each retiree over 65. State statutes governing County retirement systems provide authority for SDCERA, with the consent of the SDCERA Board of Directors to make such payments from interest earnings in excess of interest required, to be credited to specific statutory reserves. Approximately 6,000 retirees or surviving spouses are eligible to receive these benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which were $7.7 million for fiscal year 1991-92. A reserve established by the SDCERA Board of Directors for the payment of postretirement health care benefits was $27.0 million at June 30, 1992, up from $23.5 million at June 30, 1991.

(6) Contributions Required Per Accounting Principles Board Opinion Number 8.

The County's method for computing actual contributions (level percentages), while actuarially sound, results in lower amounts being paid in earlier years offset by higher amounts to be contributed in later years than that required under generally accepted accounting principles. For Fiscal Year 1991-92, the amount required by generally accepted accounting principles is greater than the amount contributed using the level percentage method and is reflected as an increase of approximately $14.9 million in accrued pension contributions in the General Long-Term Debt Account Group.

E. CLAIMS AND JUDGMENTS

The County operates a Risk Management Program whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, public liability, and workers compensation. Several legal actions and workers compensation claims are pending against the County where the estimated liability either exceeds the limits of coverage provided by various insurance policies carried by the County or where no insurance coverage is provided. Also, the County, in compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, has performed arbitrage rebate calculations on the interest earnings of all County related bond issues to determine probable amounts due the federal government. To the extent that the outcome of such litigation, workers compensation claims, and arbitrage rebate calculations have been determined to result in a probable financial loss to the County, an estimate of such losses has been included in the General Long-Term Debt Account Group. These probable losses are valued at $17,418 for litigation, $21,274 for workers compensation, and $1,814 for arbitrage rebate for a total Claims and Judgements liability at June 30, 1992 of $40,506 (in thousands).

F. LEASE COMMITMENTS

The County has commitments under long-term property operating lease agreements for facilities used for operations. These leases do not meet the criteria for capitalization under FASB Statement 13. The County is the lessee under the terms of several noncancellable operating leases for real property used to house certain County facilities. The combined rental cost for which the County is obligated under these leases is as follows (in thousands):

YEAR	MINIMUM LEASE PAYMENTS
1992-93	$ 8,602
1993-94	7,421
1994-95	5,301
1995-96	2,428
1996-97	1,593
Thereafter	185
Total	$25,530

Total rental expense for all real property operating leases for the year ended June 30, 1992, was approximately $19.0 million.

In addition to real property leases, the County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 1992, was approximately $8.2 million.

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the General Fixed Asset Account Group and is reflected as a liability in the General Long-Term Debt Account Group. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements.

Capital Lease-Property Class	June 30, 1992 (in thousands)
Structures and Improvements	102,021
Equipment	20,926
Total	$122,947

Future minimum lease payments under capital leases consisted of the following at June 30, 1992 (in thousands):

Fiscal Year	Minimum Payments
1992-93	$ 10,567
1993-94	10,488
1994-95	10,330
1995-96	10,329
1996-97	7,956
Thereafter	130,101
Total minimum Lease Payments	179,771
Less: amount representing interest	(80,887)
Net Lease Payments	$ 98,884

6. GENERAL LONG-TERM DEBT

General Long-Term Debt consists of lease revenue bonds/certificates of participation, capital lease obligations accounted for in accordance with NCGA Statement 5 (See Note 3F), accrued pension contributions (See Note 3D), accumulated unpaid employee leave benefits (See Note 1E) and claims and judgments (See Note 3E) as follows (in thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Lease Revenue Bonds/Certificates of Participation:				
El Cajon-San Diego County Civic Center Authority Lease Revenue Refunding Bonds issued September, 1986	4.50 - 6.85%	2007	61,665	53,260
Vista-County of San Diego Building Authority Certificates of Participation issued April, 1987	5.00 - 7.875%	2007	28,380	24,695
San Diego County Capital Asset Leasing Corporation (SANCAL):				
1984 Series A Leasehold Revenue Bonds issued September, 1984	7.00 - 10.00%	1993	11,825	2,710
1986 Refunding Leasehold Revenue Bonds issued December, 1986	4.00 - 6.75%	2010	29,170	26,485
1987 Series A Leasehold Revenue Bonds issued May, 1987	4.75 - 6.20%	1995	10,300	3,800
1989 Certificates of Participation issued March 1989	6.25 - 7.50%	2009	20,790	14,200
1989 Certificates of Participation issued November 1989	6.20 - 7.10%	2010	24,433	23,453
1989 Certificates of Participation issued December 1989	6.10 - 6.80%	2011	19,605	19,090
1991 Series A Certificates of Participation issued April 1991	5.25 - 7.00%	2012	40,745	40,745
1991 Certificates of Participation issued September 1991	4.80 - 6.50%	2007	38,045	38,045
Total Lease Revenue Bonds/Certificates of Participation			284,958	246,483

Schedule of General Long-Term Debt Obligations (in thousands) - Continued

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Capitalized Leases:				
Chula Vista Redevelopment Agency Regional Center Lease beginning July, 1979	6.00 - 8.00%	2007	51,000	40,120
San Diego Regional Building Authority Lease beginning October, 1991	4.60 - 7.45%	2019	46,965	46,965
Other Capitalized Leases with various beginning dates from March, 1979 to the present	6.85 - 14.10%	1993-2020	24,982	11,799
Total Capitalized Leases			122,947	98,884
Total			$407,905	345,367
Accrued Pension Contributions				147,042
Claims and Judgments				40,506
Accumulated Unpaid Employee Leave Benefits				51,855
Total General Long-Term Debt				$584,770

The lease revenue bonds and certificates of participation of the building and civic center joint power authorities and the SANCAL non-profit corporation listed above are secured by annual base rental lease payments payable by the County for use of the facilities constructed or equipment purchased from the debt proceeds. The capital leases between the County and the Authorities and between the County and SANCAL have been eliminated for financial reporting purposes and the related assets and debt (e.g., lease revenue bonds and certificates of participation of these authorities and SANCAL) are reported as San Diego County's assets and debt, respectively.

Changes in General Long-Term Debt during the year are summarized as follows (in thousands):

	BALANCE 7/1/90	ADDITIONS	RETIREMENTS	BALANCE 6/30/92
Lease Revenue Bonds/Certificates of Participation	$254,998	38,045	46,560	246,483
Capital Lease Obligations	96,093	50,710	47,919	98,884
Accrued Pension Contributions	132,150	14,892		147,042
Claims and Judgments	35,149	5,357		40,506
Accumulated Unpaid Employee Leave Benefits	47,576	4,279	____	51,855
Total	$565,966	113,283	94,479	584,770

The following is a schedule of debt service requirements to maturity, including interest, for General Long-Term Debt outstanding at June 30, 1992 (in thousands). The amortization of the accrued pension contributions is not included since it is based on actual contribution rates in future years, rather than a fixed schedule. Accumulated unpaid employee benefits are excluded since they are budgeted in the year which they are used and liquidated. Claims and judgments are also excluded due to uncertainty in determining the probable date of payment.

YEARS ENDING JUNE 30	LEASE REVENUE BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES	TOTAL
1993	$ 14,878	13,557	10,567	39,002
1994	13,777	14,575	10,488	38,840
1995	9,857	14,561	10,330	34,748
1996	9,308	14,561	10,329	34,198
1997	8,826	14,225	7,956	31,007
1998-2002	44,144	70,925	45,280	160,349
2003-2007	44,073	70,696	38,998	153,767
2008-2012	17,352	35,403	17,622	70,377
2013-2017		3,720	17,595	21,315
2018-2020			10,606	10,606
Total	$162,215	252,223	179,771	594,209

Prior Year Defeasance of Debt

In prior years, the County defeased certain lease revenue bonds by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 1992, $127.1 million of bonds outstanding are considered defeased.

Advance Refunding of Debt

San Diego Capital Asset Leasing Corporations (SANCAL):

On September 19, 1991, SANCAL issued $38.0 million in serial Certificates of Participation (COP) with an average interest rate of 6.3 percent to advance refund $34.8 million of 1987 serial COP with an average interest rate of 7.7 percent. The net proceeds of $37.1 million (after payment of $.9 million in bond discount, underwriting fees, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1987 COP. As a result, the 1987 COP are considered to be defeased and the liability for those COP has been removed from the general long-term debt account group.

SANCAL advance refunded the 1987 COP to reduce its total debt service payments over the next 17 years by almost $482,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $192,000.

Refinanced Long-Term Capital Lease

San Diego Regional Building Authority:

On October 2, 1991, the San Diego Regional Building Authority ("the Authority") issued $46,965,000 in serial Certificates of Participation (COP) with maturities from 1991 to 2019 and an average interest rate of 6.5 percent to advance refund $43.2 million of 1989 serial COP with an average interest rate of 7.6 percent. The net proceeds of $45.7 million (after payment of $1.3 million in bond discount, underwriting fees, bond investors assurance premium and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 COP. As a result of the Authority's advance refunding, the County was able to reduce its total lease payments to the Authority over the next 29 years by $4.6 million and to obtain an economic gain (difference between the present values of the lease payments on the old and new capital lease) of $1.8 million.

H. PROPRIETARY FUND TYPE LONG-TERM DEBT

Proprietary fund type long-term debt consists of revenue bonds, loans payable, contracts payable, landfill closure, and unpaid accumulated employee leave benefits. The revenue bonds are general obligations of the issuing district and as such, the district is empowered and obligated to levy ad valorem taxes upon all taxable property within the district without limit as to rate or amount for the purpose of paying the principal and interest. The bonds are also payable from restricted sewer service revenues of the issuing districts. A schedule of Proprietary Fund Type Long-Term Debt is as follows (in thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding 6/30/92
Revenue Bonds:				
Alpine Sanitation 1970A	6.70 - 7.00%	2002	$285	$ 180
County Service Area #4	5.00%	2012	438	320
Total Revenue Bonds			723	500
Loans:				
Julian Sanitation	5.3%	2003	61	38
Total			$784	$ 538
Contract Payable Spring Valley				1,229
Landfill Closure-Solid Waste				12,428
Unpaid Accumulated Employee Leave Benefits				712
Total Proprietary Fund Type Long-Term Debt				$14,907

The following is a schedule of debt service requirements to maturity, including interest, for Proprietary Fund Type Revenue Bonds and Loans outstanding at June 30, 1992 (in thousands):

YEARS ENDING JUNE 30	REVENUE BONDS	LOANS	TOTAL
1993	$ 53	4	57
1994	51	5	56
1995	50	4	54
1996	48	5	53
1997	46	5	51
1998-2002	258	23	281
2003-2007	130	5	135
2008-2012	122	—	122
Total	$758	51	809

I. SPECIAL ASSESSMENT DEBT

The County Treasurer/Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated for repayment of any special assessment bonds and all special assessment debt is solely the obligation of various separate governmental agencies. The amount of special assessment debt outstanding for which the County is a fiduciary is $28.8 million at June 30, 1992.

J. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

It is the opinion of the County legal counsel that the County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The assets and liabilities of the deferred compensation plan are accounted for in an agency fund of the County. Total assets of the plan at June 30, 1992, are valued at $79.1 million and are reported at market value.

K. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund interfund receivable and payable balances at June 30, 1992 were (in thousands):

	Interfund Receivable	Interfund Payable
General Fund	$270,435	$ 7,081
Special Revenue Funds:		
Road Fund	2,341	625
Survey Monument Preservation Fund		3
Grazing Lands Fund	3	
Fish & Game Propogation Fund	1	
County Library Fund	149	126
Asset Forfeiture Program Fund	100	217
Special Aviation Fund	3	48
Cable TV Fund	36	1,301
Park Land Dedication Fund	237	472
Nonprofit Corporation Funds	40	53
Redevelopment Agency Funds	12	623
County Service Area Funds	306	81
Flood Control District Funds	190	72
Housing Authority Fund	129	549
Other Special District Funds	238	153
Total	3,785	4,323
Debt Service Funds:		
Nonprofit Corporation Funds	1,841	615
Joint Powers Authorities Funds	41	479
Total	1,882	1,094
Capital Projects Funds:		
Capital Outlay Funds	4,060	5,836
Edgemoor Development Fund	12	
Nonprofit Corporation Funds	962	3,318
Redevelopment Agency Funds	629	240
Joint Powers Authorities Funds	478	571
Total	6,141	9,965
Enterprise Funds:		
Airport Fund	388	129
Liquid Waste Fund	362	346
Transit Fund	58	28
Solid Waste Fund	1,083	478
Sanitation & Water Districts Funds	905	324
Total	2,796	1,305

K. Interfund Receivable and Payable Balances (in thousands) - Continued

	Interfund Receivable	Interfund Payable
Internal Service Funds:		
Road & Communication Funds	702	693
Purchasing Funds	324	
Other Miscellaneous Funds	31	121
Total	1,057	814
Trust and Agency Funds:		
Pension Trust Fund	3,599	254
Property Tax Collection Funds	7,558	13,647
Interest Apportionment Fund		28,859
County Departmental Funds	14,806	30,106
Special Purpose Funds	13,251	223,446
Funds Held for Special & School Districts Funds	11,765	16,181
Total	50,979	312,493
Total	$337,075	$337,075

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four Enterprise Funds which provide airport, liquid and solid waste, and transit services. Segment information for the year ended June 30, 1992, for those funds and ten sanitation and water districts for which the Board of Supervisors has oversight responsibility was as follows (in thousands):

	AIRPORT	LIQUID WASTE	TRANSIT	SOLID WASTE	SANITATION AND WATER DISTRICTS	TOTALS
Operating Revenue	$ 3,536	5,041	6,106	40,456	11,372	66,511
Depreciation	536	33	476	1,020	910	2,975
Operating Income or (Loss)	304	(426)	(644)	(8,226)	1,272	(7,720)
Tax Revenue	-0-	-0-	-0-	-0-	47	47
Grant Revenue	568	1	-0-	65	-0-	634
Other Nonoperating Revenue	599	29	168	4,609	3,147	8,552
Nonoperating Expenses	2	-0-	-0-	172	185	359
Nonoperating Income or (Loss)	1,165	30	168	4,502	3,009	8,874
Net Income or (Loss)	1,469	(396)	(476)	(3,724)	4,281	1,154
Capital Contributions	1	-0-	97	9	272	379
Plant, Property and Equipment:						
Additions	455	2	116	14,638	1,840	17,051
Deletions	8	2	19	74		103
Net Working Capital	6,303	250	-0-	42,622	35,238	84,413
Total Assets	22,164	949	5,030	78,602	73,036	179,781
Total Equity	21,621	218	2,798	54,809	68,707	148,153
Long-Term Liabilities	73	202	-0-	12,865	1,767	14,907

5. CONTRIBUTED CAPITAL

During fiscal year 1991-92 contributed capital increased or decreased by the following amounts (in thousands):

Enterprise Funds

SOURCE	AIRPORT	LIQUID WASTE	TRANSIT	SOLID WASTE	SANITATION AND WATER DISTRICTS
Capital Grants	$		97		
Developer's Contributions					272
Government's Contributions	1			9	
Total Additions (Reductions)	1	-0-	97	9	272
Accumulated Depreciation on Grant Funded Fixed Assets			(1,689)		
Contributed Capital, July 1	14,532	685	4,390	5,651	15,613
Contributed Capital, June 30	$14,533	685	2,798	5,660	15,885

Internal Service Funds

SOURCE	ROAD AND COMMUNICATION EQUIPMENT	PURCHASING	SPECIAL DISTRICT LOANS	OTHER MISCELLANEOUS
Governments' Contributions	$ 80	-0-	(1)	-0-
Total Additions (Reductions)	80	-0-	(1)	-0-
Contributed Capital, July 1	11,896	1,171	906	49
Contributed Capital, June 30	$ 11,976	1,171	905	49

6. COMMITMENTS AND CONTINGENCIES

A. LITIGATION

In addition to the accrued liability for litigation and Workers Compensation claims described in Note 3E, the County has a potential liability of $23.4 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above include estimates of claims incurred, but not reported at June 30, 1992.

B. UNRECORDED LEAVE BENEFITS

County employees have unrecorded accumulated benefits of approximately $66.6 million in sick leave. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time off for which employees are eligible for payment upon separation has been recorded as current or long-term liabilities in the appropriate funds or Long-Term Debt Account Group as described in Note 1E.

C. TAX AND REVENUE ANTICIPATION NOTES

At June 30, 1992, $200.3 million of Tax and Revenue Anticipation Notes issued during fiscal year 1991-92 were still outstanding. Monies for full redemption of these notes were fully segregated in a separate repayment fund at June 30, 1992, and subsequently used to redeem the notes on July 31, 1992. The liability for these notes is shown in the General Fund. On July 1, 1992, and on July 30, 1992, the County issued $260 million and $100 million, respectively, of Tax and Revenue Anticipation notes to finance fiscal year 1992-93 General Fund cash flow requirements.

D. THIRD PARTY DEBT

Mortgage Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between December 1980 and December 1985, the County issued $119,334,000 of Mortgage Revenue Bonds.

Industrial Development Revenue Bonds

Industrial Development Revenue Bonds have been issued to provide financial assistance for the acquisition, construction, and installation of facilities for industrial, commercial, or business purposes to mutually benefit the citizens of the County. The County issued $3,500,000 of such bonds in October 1987.

Mortgage Revenue Bonds and Industrial Development Revenue bonds, together with interest thereon, are limited obligations of the County payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability for these bonds have been recorded in the General Long-Term Debt Account Group.

E. FEDERAL PROGRAMS

The County participates in a number of federal financial assistance programs. Although these programs have been audited in accordance with the provisions of the Single Audit Act of 1984 through June 30, 1991, the resolution of previously identified questioned costs has not occurred. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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APPENDIX D

BASE RENTAL PAYMENTS

Payment Date	Principal	Interest	Total
September 1, 1993	6,475,000	3,006,540.28*	9,481,540.28*
March 1, 1994		4,771,775.00	4,771,775.00
September 1, 1994	9,305,000	4,771,775.00	14,076,775.00
March 1, 1995		4,632,200.00	4,632,200.00
September 1, 1995	9,625,000	4,632,200.00	14,257,200.00
March 1, 1996		4,463,762.50	4,463,762.50
September 1, 1996	9,675,000	4,463,762.50	14,138,762.50
March 1, 1997		4,276,309.38	4,276,309.38
September 1, 1997	10,095,000	4,276,309.38	14,371,309.38
March 1, 1998		4,068,100.00	4,068,100.00
September 1, 1998	10,550,000	4,068,100.00	14,618,100.00
March 1, 1999		3,837,318.75	3,837,318.75
September 1, 1999	11,015,000	3,837,318.75	14,852,318.75
March 1, 2000		3,589,481.25	3,589,481.25
September 1, 2000	11,565,000	3,589,481.25	15,154,481.25
March 1, 2001		3,314,812.50	3,314,812.50
September 1, 2001	12,150,000	3,314,812.50	15,464,812.50
March 1, 2002		3,011,062.50	3,011,062.50
September 1, 2002	12,770,000	3,011,062.50	15,781,062.50
March 1, 2003		2,691,812.50	2,691,812.50
September 1, 2003	13,450,000	2,691,812.50	16,141,812.50
March 1, 2004		2,347,156.25	2,347,156.25
September 1, 2004	14,180,000	2,347,156.25	16,527,156.25
March 1, 2005		1,974,931.25	1,974,931.25
September 1, 2005	14,945,000	1,974,931.25	16,919,931.25
March 1, 2006		1,582,625.00	1,582,625.00
September 1, 2006	15,800,000	1,582,625.00	17,382,625.00
March 1, 2007		1,167,875.00	1,167,875.00
September 1, 2007	12,400,000	1,167,875.00	13,567,875.00
March 1, 2008		826,875.00	826,875.00
September 1, 2008	7,600,000	826,875.00	8,426,875.00
March 1, 2009		613,125.00	613,125.00
September 1, 2009	7,000,000	613,125.00	7,613,125.00
March 1, 2010		416,250.00	416,250.00
September 1, 2010	7,400,000	416,250.00	7,816,250.00
March 1, 1011		208,125.00	208,125.00
September 1, 2011	3,600,000	208,125.00	3,808,125.00
March 1, 2012		106,875.00	106,875.00
September 1, 2012	3,800,000	106,875.00	3,906,875.00
TOTAL		98,807,484.03	302,207,484.03

*Does not include accrued interest.

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APPENDIX E

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Presented below are brief outlines of certain provisions contained in the agreements to be signed in connection with the delivery of the Certificates. Such outlines are not considered full descriptions pertaining thereto. Reference is directed to each agreement for the complete text thereof. Copies of said documents are available from the County.

DEFINED TERMS

"Administrative Expense Fund" means the fund of that name established pursuant to the Trust Agreement.

"AMBAC Indemnity" shall mean AMBAC Indemnity Corporation, a Wisconsin domiciled stock insurance company.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental Account" means the account of that name established pursuant to the Trust Agreement.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed in the State for commercial banking purposes.

"Certificate Fund" means the fund of that name established pursuant to the Trust Agreement.

"Certificate Register" means the registration books of the Trustee with respect to the Certificates.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Facilities Lease, the Lease Agreement, the Assignment Agreement, the Certificates, the preliminary official statement and the official statement pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; credit enhancement fees; title insurance premiums; legal fees, any computer and other expenses incurred in connection with the Certificates, the initial fees and expenses of the Trustee (including without limitation, origination fees and first annual fees payable in advance); financial advisor fees, and other fees and expenses incurred in connection with the sale, execution and delivery of the Certificates or the implementation of the financing for the Facilities, to the extent such fees and expenses are approved by the County Representative.

"Costs of Issuance Fund" means the fund of that name established pursuant to the Trust Agreement.

"County Representative" means the Chief Administrative Officer of the County or another official designated by such officer and authorized to act on behalf of the County under or with respect to the Trust Agreement and all other agreements related hereto.

"Credit Facility" means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to the Trust Agreement with a provider whose long-term unsecured debt is rated "AA" and "Aa" or better by Moody's and S&P, respectively.

"Facilities" means the real property described in Exhibit A to the Lease Agreement and any facilities and improvements located thereon, or any property substituted for the Facilities described in Exhibit A in accordance with Section 16 of the Lease.

"Independent Counsel" means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the County.

"Interest Account" means the account of that name established within the Certificate Fund pursuant to the Trust Agreement.

"Investment Earnings" means interest received or other income realized in respect to the investment of money on deposit in any fund or account maintained hereunder (other than amounts on deposit in the Earnings Fund).

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Certificates as provided in the Trust Agreement.

"Outstanding" when used as of any particular time with respect to any Certificate, means any Certificate theretofore executed and delivered by the Trustee under the Trust Agreement except:

(1) any Certificate theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) any Certificate for the payment or prepayment of which money or cash or Federal Securities in the necessary amount shall have theretofore been deposited with the

Trustee (whether on or prior to the maturity or prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(3) any Certificate purchased by the County;

(4) any Certificate in lieu of or in exchange for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Payment Date" means September 1 and March 1 in each year, commencing September 1, 1993, until the maturity or earlier prepayment date of the Certificates.

"Prepayment Account" means the account of that name established within the Certificate Fund pursuant to the Trust Agreement.

"Principal Account" means the account of that name established within the Certificate Fund pursuant to the Trust Agreement.

"Principal Office of the Trustee" means the corporate trust office of the Trustee located in Los Angeles, California.

"Record Date" means the close of business on the fifteenth (15th) day of the calendar month next preceding any Payment Date.

"Reserve Requirement" means, as of any date of calculation, the least of (i) the maximum Base Rental payable by the County in any Lease Year between such date of calculation and the expiration of the Lease Term; (ii) ten percent of the aggregate principal amount outstanding of the Certificates (less original issue discount, if any, plus premium, if any); and (iii) 125 percent of the average annual Base Rental payable by the County in any Lease Year between such date or calculation and the expiration of the Lease Term.

"Trustee" means State Street Bank and Trust Company of California, N.A., Los Angeles, California, or any successor trustee appointed pursuant to the Trust Agreement.

THE LEASE AGREEMENT

Under the Lease Agreement, the County promises to pay Base Rental from legally available funds payments for the use and occupancy of the Facilities. Base Rental payments will be used to pay amounts designated as principal and interest with respect to the Certificates. The County also promises to pay Additional Rental, consisting of taxes and assessments levied upon the Facilities, insurance premiums, the fees and expenses of the Trustee to the extent not paid out of the proceeds of the sale of the Certificates, and any other fees, costs or expenses incurred by the Corporation or the Trustee in connection with the Lease, the Trust Agreement and the transactions related to the Facilities. The Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Facilities.

Base Rental payments are due and payable by the County on each September 1 and March 1, commencing September 1, 1993 until maturity or such earlier time as all the Certificates shall have been paid. To secure the performance of its obligation to pay Base Rental payments when due, the County has promised to deposit Base Rental payments due September 1 and March 1 of each year with the Trustee on or before the next preceding August 15 and February 15, respectively. In lieu of making deposits described in the preceding sentence, on or before each August 15 or February 15, as the case may be, the County may deposit with the Trustee Qualified Investments which mature on or prior to September 1 and March 1, respectively, sufficient in amount (without reinvestment) to provide for the payment of Base Rental within the terms of the Trust Agreement; provided, however, in no event shall the County be relieved of its obligation to make Base Rental Payments in the amounts payable on each September 1 and March 1, respectively. In the event any such date or deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. The amounts required to be deposited with the Trustee, however, will be reduced to the extent of available amounts on deposit on such date in the Base Rental Account, the Interest Account and the Principal Account of the Certificate Fund established under the Trust Agreement.

The County has covenanted to take such action as may be necessary to include all Base Rental and Additional Rental due under the Lease in its annual budget and to make the necessary annual appropriations thereof except to the extent such payments are abated pursuant to the Lease.

The obligation of the County to make Base Rental and Additional Rental in the amounts and on the terms and conditions specified under the Lease is absolute and unconditional, without any right of set-off or counterclaim and subject to abatement only in accordance with the terms of the Lease. Except to the extent of (i) amounts held by the Trustee in the Interest Account or Principal Account of the Certificate Fund or by the County in the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, rental payments due under the Lease will be subject to abatement only during such periods in which there is substantial interference with the County's use and right of possession of the Facilities by reason of material damage or destruction to, or condemnation of, the Facilities or any portion thereof, or defects in title to the real property on which the Facilities are situated. The amount of rental abatement shall be such that the resulting rental payments in any Lease Year during which such interference continues (excluding any amounts described in clauses (i), (ii) or (iii) in the preceding sentence) do not exceed the fair rental value of the portions of the Facilities as to which such damage, destruction, condemnation, or title defects do not substantially interfere with the County's use and right of possession, as evidenced by a certificate of a County representative. Any rental abatement will commence with the date of interference resulting from such damage, destruction, condemnation, or title defect and end with the restoration of the Facilities to tenantable condition.

The Lease term begins on the Closing Date and ends on the earliest of (a) September 1, 2012; (b) the date the Certificates have been paid or provision for their payment shall have been made in accordance with the provisions of the Trust Agreement; (c) the date of termination of the Lease due to casualty or condemnation of the Facilities in accordance with the terms of the Lease; or (d) the date of the closing of the sale of the Corporation's right, title and interest in the Facilities pursuant to the exercise of the County's option to purchase the Facilities in accordance with the terms of the Lease.

If the Facilities, or so much thereof as to render the remainder of the Facilities unusable for the County's purposes under the Lease, are taken under the power of eminent domain, then the Lease shall terminate as of the day possession is taken, or, if the County is the condemnor, then the Lease shall terminate as of the date of entry of the interlocutory judgment. If less than all of the Facilities are taken under the power of eminent domain, and the remainder of the Facilities are tenantable for the County's purposes, then there shall be an abatement of rental payments only to the extent to which there is substantial interference with the County's use and right to possession of the Facilities and the Lease shall continue in full force and effect as to such remaining portion of the Facilities. Any award made in eminent domain proceedings for the taking of all or a portion of the Facilities shall be paid to the Trustee for application in accordance with the provisions of the Lease and Trust Agreement, as described below.

Proceeds of insurance (except rental interruption insurance), including the proceeds of any self-insurance fund, and of any condemnation awards received on account of any damage, destruction, or taking of the Facilities, or portion thereof, are to be deposited with the Trustee and, except as otherwise provided in the Trust Agreement, either used for repair or replacement of the Facilities or applied to the mandatory prepayment of Certificates.

During the term of the Lease, the Trustee, as the assignee of the Corporation, will hold all of the Corporation's right, title and interest in and to the Lease and the Facilities Lease (other than the Corporation's right to indemnification under the Lease) in accordance with the Assignment Agreement. Upon payment by the County of all Base Rental and Additional Rental required by the Lease, or upon the closing of the sale of the Corporation's right, title and interest in the Facilities to the County or its assignee or nominee pursuant to the exercise of the County's option to purchase the Facilities, in accordance with the terms of the Lease, the Corporation's interest in the Facilities, and any improvements thereon or additions thereto, will be transferred directly to the County or its assignee or nominee free and clear of any interest of the Corporation or the Trustee. The County has the exclusive right and option to purchase all of the Corporation's right, title and interest in the Facilities on any business day upon payment of the applicable option price, provided that at the time of exercise the County is not in default under certain sections of the Lease.

The Lease contains other covenants including but not limited to the following, by which the County agrees:

(i) to maintain the Facilities in good order, condition and repair;

(ii) to repair or replace any portion of the Facilities that is destroyed or damaged by any of the risks required to be insured against pursuant to the Lease to such an extent that there is substantial interference with the use and right of possession by the County of the Facilities or any portion thereof which would result in an abatement of rental payments pursuant to the Lease, whether or not there are sufficient insurance proceeds to pay for such repair or replacement; provided, however, that the County shall not be required to repair or replace any such portion of the Facilities if there shall be applied to the prepayment of Outstanding Certificates insurance proceeds or other legally available funds sufficient to prepay (x) all of the Certificates Outstanding, or (y) any portion thereof and the resulting rental payments under the Lease in any Lease Year following such partial prepayment do not exceed the fair rental value of the portions of the

Facilities which are not damaged or destroyed to such an extent that there is substantial interference with the use and right of possession by the County as determined by a County Representative;

(iii) (a) to maintain insurance against loss or damage to the Facilities known as "all risk," including flood (but excluding earthquake), in an amount not less than the lesser of the full replacement value of the Facilities or the aggregate principal amount of the Certificates at such time Outstanding, with a deductible not to exceed $100,000 per occurrence except for flood, in which case the deductible may not exceed $250,000 per occurrence (or to self-insure or self-fund against such claims), provided, however, that the County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego so long as the total coverage for all insureds under this clause (a) and clauses (c) and (e) below is not less than $100,000,000 ($50,000,000 in the case of flood) per occurrence; (b) to maintain commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Facilities, with a combined single limit of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose (or to self-insure or self-fund against such claims); (c) in the event such coverage is not included in clause (a) above, to maintain boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed in an amount not less than the lesser of the full replacement value of the Facilities or the aggregate principal amount of the Certificates at such time Outstanding; provided, however, that the County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego so long as the coverage available to all such insureds under clause (a) above, this clause (c) and clause (e) below is not less than $100,000,000 ($50,000,000 in the case of flood) per occurrence; (d) to maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Facilities and to cover full liability for compensation under any such act (or to self-insure or self-fund against such claims); and (e) to maintain rental interruption insurance to cover loss, total or partial, of the use of any part of the Facilities as a result of any of the hazards covered by the insurance required pursuant to clause (a) and clause (c) above in an amount sufficient at all times to pay the total rent payable under this Lease for a period adequate to cover the period of repair or replacement, and in an amount equal to at last two years' Base Rental for the entire Facilities, provided, however, that the County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego so long as the total coverage available to all insureds under this clause (e) and clauses (a) and (c) above is not less than $100,000,000 ($50,000,000 in the case of flood) per occurrence, and provided further, that amounts payable for coverage available under clause (a) or (c) above may reduce amounts payable under this clause (e). The County is not required with respect to the insurance described in clauses (a), (b), (c) and (d) above, to maintain any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such policies of insurance at a reasonable cost of the open market, the County shall self-insure or self-fund to the extent permitted under the Lease;

(iv) to observe and comply with all rules, regulations, and laws applicable to the County with respect to the Facilities and the operation thereof; and

(v) to take action to pay or contest any liens or other encumbrances which may attach to the Facilities.

The County may sublease all or any portion of the Facilities or grant concessions to others for the use of all or part of the Facilities and may assign its right to exercise the option to purchase the Corporation's right, title and interest in the Facilities, but the County will remain liable for all of its obligations under the Lease. No sublease or use of the Facilities is permitted which would cause the interest component of the Base Rental payments to become included in gross income for federal income tax purposes or to be subject to California personal income tax.

The County may substitute, add to or improve the Facilities, provided the fair rental value of the Facilities is not thereby reduced. Title to personal property, equipment or fixtures placed by the County on the Facilities will remain in the County.

Events of Defaults under the Lease consisted of the following:

(i) Any failure of the County to deposit with the Trustee the Base Rental payments required to be deposited pursuant to the Lease by the close of business on the day such deposit is required to be made;

(ii) Any failure of the County to pay any item of Additional Rental as and when due and payable pursuant to the Lease; or

(iii) Any failure of the County to observe or perform any other terms, covenants or conditions contained in the Lease for a period of 30 days after written notice thereof from the Corporation to the County or, if such breach cannot be remedied within such 30-day period, failure of the County to institute corrective action within such period and diligently pursue the same to completion.

Even if the County has breached the Lease and abandoned the Facilities, the Lease shall continue in effect for so long as the Trustee, as assignee of the Corporation, does not terminate the County's right to possession, and the Trustee, as assignee of the Corporation, may enforce all of its rights and remedies under the Lease, including (i) the right to recover rent as it becomes due under the Lease and (ii) the right to retake possession of the Facilities and lease the same or any portion thereof for the account of the County, holding the County liable for any difference between the amounts thereby received and the amounts payable by the County under the Lease. Without limiting any other remedies available under the Lease or at law or in equity, the Corporation expressly retains any rights it may have to terminate the Lease or the County's right to possession of the Facilities on account of any default of the County under the Lease.

The Trustee, as assignee of the Corporation, shall use reasonable efforts to not exercise its remedies under the Lease so as to cause the interest portion of the Base Rental payments to be included in gross income for federal income tax purposes or to be subject to California personal income taxes. In no event shall the Trustee, as assignee of the Corporation, have the right to accelerate the payment of any Base Rental under the Lease.

The Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement.

THE TRUST AGREEMENT

Under the Trust Agreement, the County will hold the Costs of Issuance Fund, the Reserve Fund, the Administrative Expense Fund, the Certificate Fund and the Earnings Fund and will invest, transfer and disburse moneys on deposit therein. Subject to the terms of the Trust Agreement, all amounts on deposit from time to time in the funds and accounts established pursuant to the Trust Agreement (except the Costs of Issuance Fund, Administrative Expense Fund and the Earnings Fund) are pledged to the payment of the Certificates.

The Costs of Issuance Fund. The Costs of Issuance Fund is established for the purpose of paying the costs of the execution and delivery of the Certificates. Such costs will be paid from the amounts on deposit in the various accounts and subaccounts of the Costs of Issuance Fund in accordance with the Trust Agreement. Any amounts remaining in the Costs of Issuance Fund on the date on which all Costs of Issuance have been paid shall be transferred to the Trustee, which shall, at the direction of the County, apply such money either (i) to the Prepayment Account of the Certificate Fund and applied in accordance with the Trust Agreement, or (ii) to the Base Rental Account of the Certificate Fund for payment of principal of and interest with respect to the Certificates in accordance with the Nonarbitrage Certificate.

The Certificate Fund. Moneys deposited in the Certificate Fund are to be paid to the Owners of the Certificates as required by the Trust Agreement. The Base Rental Account in the Certificate Fund is established to receive all Base Rental payments, proceeds of rental interruption insurance, and liquidated damages with respect to the Facilities. The Trustee will transfer from the Base Rental Account to the Interest Account and Principal Account of the Certificate Fund on each Payment Date an amount which, together with the money on deposit in the Interest Account and Principal Account, equals the interest, the and principal then due or required to prepaid on such Payment Date with respect to the Certificates. Any amounts remaining in the Base Rental Account after the above transfer is made will be transferred to the following funds and accounts in the following order of priority: (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement, (ii) the Administrative Expense Fund to the extent that the amount therein is less than $20,000, (iii) the Interest Account of the Certificate Fund to the extent necessary to make the total amounts on deposit therein equal to the amount of the interest component of the next succeeding Base Rental payment, and (iv) the Principal Account of the Certificate Fund to the extent necessary to make the total of the amounts on deposit therein equal to the amount of the principal component of the next succeeding Base Rental payment. Amounts not required to be so deposited shall be remitted to the County.

Amounts in the Reserve Fund are to be transferred into the Certificate Fund when there are insufficient funds in the Certificate Fund to pay the principal and interest due on any Payment Date. Delinquent Base Rental payments, proceeds of rental interruption insurance and any liquidated damage awards deposited in the Base Rental Account will be transferred first, to the Interest Account of the Certificate Fund for payment of past due interest payments with respect to the Certificates, and second, to the Principal Account of the Certificate Fund for payment of past due principal of any Certificate, and then into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance and liquidated damages will remain in the Base Rental Account in the Certificate Fund to be applied in the manner provided in the Trust Agreement.

Except as noted below, all proceeds of insurance (other than rental interruption insurance) or condemnation awards not applied to the cost of the repair, reconstruction or replacement of the Facilities will be deposited by the Trustee in the Prepayment Account of the Certificate Fund and applied to the prepayment of Certificates in the manner provided under the Trust Agreement. Upon the repair or replacement of a damaged, destroyed or taken portion of the Facilities, however, any amount in excess of the amount needed to repair or replace the damaged, destroyed or taken portion of the Facilities shall be deposited in the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, and thereafter any excess shall be remitted to the County. Under the circumstances described in the Trust Agreement, title insurance proceeds will be deposited in the Reserve Fund or the Prepayment Account of the Certificate Fund or will be remitted to the County.

The Reserve Fund. The Reserve Fund is established for the purpose of paying the interest, and principal of the Certificates to the extent that there are insufficient moneys available for such purpose in the Interest Account and the Principal Account of the Certificate Fund on any Payment Date. The Reserve Fund will initially be funded from the proceeds of the sale of the Certificates in the amount indicated in the Official Statement under the caption "SOURCES AND USES OF FUNDS," which is equal to the Reserve Requirement established under the Trust Agreement as of the Closing Date.

Amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, if any, on any Payment Date shall be transferred by the Trustee for deposit to the Base Rental Account in the Certificate Fund for application in accordance with the Trust Agreement. All investment earnings on amounts in the Reserve Fund shall be deposited in the Investment Earnings Account of the Earnings Fund.

At the option of the County, the amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a line of credit, letter of credit, insurance policy, surety bond or other credit source with the Trustee, in an amount equal to such substituted amount, provided that the substitution of such line of credit, letter of credit, insurance policy, surety bond or other credit source will not result in a withdrawal or downgrading of any rating of the Certificates by Standard & Poor's Corporation or Moody's Investors Service. If a line of credit, letter of credit, insurance policy, surety bond or other credit source is substituted for the moneys held in the Reserve Fund, then such moneys, at the option of the County, will be transferred to (i) into the Prepayment Account in the Certificate Fund, (ii) to a special account to be held by the Trustee to be established for the payment of any fees in connection with obtaining such Credit Facility.

The Administrative Expense Fund. The Administrative Expense Fund is established for the purpose of paying the costs incidental to the execution and delivery of the Certificates and other related administrative charges. The amount to be held in the Administrative Expense Fund is $20,000; provided, however, that the County is not required to replenish the Administrative Expense Fund, except as provided in the Trust Agreement.

Investments. Amounts on deposit in the Reserve Fund and the Administrative Expense Fund may be invested by the County in investments specified in the Trust Agreement, subject to the restrictions contained in the Trust Agreement. With respect to the Certificate Fund, such investments shall be made as provided in the Trust Agreement. Investments shall mature in such amounts and at such times as may be necessary to provide funds then needed to make payments from the applicable funds and accounts subject to the terms of the Trust Agreement. Net income or gain received and collected from such investments in the various funds and accounts shall be credited and losses charged to such funds and accounts, except as otherwise provided in the Trust Agreement.

All investments, held for any fund or account shall be valued at cost (exclusive of accrued but unpaid interest but inclusive of commissions). The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in conformity with the Trust Agreement except for its own negligence or willful misconduct.

Any money remaining in any of the funds or accounts established under the Trust Agreement (except the Excess Earnings Account) after (i) the payment or prepayment of all principal and interest with respect to the Certificates and the payment of the expenses of the Trustee (or adequate provision therefor) and (ii) the transfer of any additional amounts required to be deposited in the Earnings Fund pursuant to the written instructions of the

County in accordance with the Trust Agreement and the Nonarbitrage Certificate will be remitted to the County.

The Certificates. The Trust Agreement provides for the execution and delivery of the Certificates and described the procedures for their registration, transfer, exchange, payment and prepayment. Interest with respect to each Certificate will accrue from the Payment Date next preceding the date of execution thereof unless (i) it is executed prior to August 15, 1993, in which event interest shall accrue from March 1, 1993; or (ii) it is executed on a Payment Date, in which event interest shall accrue from such Payment Date; or (iii) it is executed after a Record Date and before the close of business on the immediately following Payment Date, in which event interest with respect thereto shall be payable from such Payment Date; provided, however, that if, at the time of execution of any Certificate, interest with respect thereto is in default, such interest shall be payable from the Payment Date to which interest has previously been paid or made available for payment.

Interest with respect to each Certificate will be payable on each Payment Date to the Owner thereof as of the close of business on the Record Date by check of the Trustee sent to the Owner thereof on such Payment Date by first class mail, postage prepaid, at his address as it appears on the registration books required to be maintained by the Trustee pursuant to the Trust Agreement; except that the interest payable to the Owner of $1,000,000 or more aggregate principal amount of Certificates shall be paid by wire transfer to such account as such Owner shall have specified in writing prior to the applicable Record Date to the Trustee for such purpose.

The registration of any Certificate may be transferred upon the Certificate Register on the surrender of such Certificate at the Principal Office of the Trustee. Such Certificate shall be endorsed or accompanied by delivery of the written instrument of transfer thereon, duly executed by the Owner thereof or his duly authorized attorney or agent, and payment of such reasonable transfer fees as the Trustee may establish. Certificates may be exchanged at the Principal Office of the Trustee, for a like aggregate principal amount of Certificates of other authorize denominations of the same maturity and interest rate. The Trustee may charge the Owner of a Certificate surrendered for exchange a sum for each new Certificate executed and delivered upon any exchange (except in the case of the first exchange of any Certificate in the form in which it is originally delivered, for which no charge shall be imposed) and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to register the transfer or exchange of any Certificate: (i) which has been called for prepayment, or (ii) which is subject to be called for prepayment (whether or not that

Certificate shall thereafter be selected for prepayment) during the period commencing on the fifteenth day prior to selection of Certificates for prepayment and ending on the date of selection.

The Trustee shall pay all principal of, premium, if any, and interest on the Certificates only to or upon the order of the respective Owners, as shown in the Certificate Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations under the Trust Agreement with respect to payment of principal, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to the Trust Agreement. Upon delivery by the Securities Depository to the Trustee and the County of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions of the Trust Agreement with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such new nominee of the Securities Depository.

Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments of principal, premium, if any, and interest with respect to such Certificate, and all notices with respect to such Certificate, shall be made and given, respectively, as provided in the representation letter described in the Trust Agreement or as otherwise instructed by the Securities Depository.

Events of default under the Trust Agreement consist of the following: (i)failure of the County to deposit with the Trustee the Base Rental payments required to be deposited pursuant to the Lease by the close of business on the day such deposit is required to be made; and (ii) failure of the County to observe and perform any covenant, condition or agreement on its part under the Trust Agreement or the Lease (other than as specified in clause (i) above), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee, or if such breach cannot be corrected within such 30-day period, failure of the County to institute corrective action within such period and diligently pursue the same to completion.

Upon the occurrence and continuance of any event of default specified in clause (i) above, the Trustee shall proceed, or upon the occurrence and continuation of any event of default specified in clause (ii) above, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding shall proceed) to exercise the remedies available to the Trustee under the Lease or the Trust Agreement.

In the event the Trustee fails to take any action to eliminate any event of default under the Lease or the Trust Agreement, including the collection of Base Rental when due, the Owners of a majority in aggregate principal amount of Certificates then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Trust Agreement, but only if such Certificate Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

The obligations of the Trustee and the County under the Trust Agreement with respect to all Certificates will terminate (except the obligation of the Trustee to pay Owners all sums due with respect to the Certificates and to register, transfer and exchange Certificates, the obligation of the County to pay the fees and expenses of the Trustee, to make all required payments to the federal government and to comply with the tax covenant in the Trust Agreement) when (i) all amounts designated as principal, premium, if any, and interest with respect to the Outstanding Certificates have been paid, (ii) cash has been deposited at or before maturity in trust with the Trustee in an amount which together with the amounts then on deposit in the Certificate Fund and the Reserve Fund together with the interest on the securities therein to accrue without the need for further investment, is fully sufficient to pay all Outstanding Certificates, including all principal, premium, if any, and interest due, or (iii) money or federal securities, together with interest with respect thereto when due to accrue thereon without the need for further investment, is fully sufficient to pay all Certificates, including all principal, premium, if any, and interest, at or before their respective maturity dates.

Upon deposit of money or federal securities under clauses (ii) and (iii) above, the Trustee shall give proper notice of prepayment of such Certificates as are to be prepaid in accordance with the Trust Agreement to the Owners thereof or, in the event all such Certificates are not to be prepaid within the next 60 days, the County shall give the Trustee irrevocable written instructions to give the notice of prepayment for all Certificates to be prepaid in accordance with the Trust Agreement and to mail notice to the Owners of such Certificates as soon as practicable stating that the deposit required by clause (ii) or (iii) above, as applicable, has been made with the Trustee and that said Certificates are deemed to have been paid and further stating such maturity or prepayment date or dates upon which money will be available for the payment of the principal thereof and premium, if any, thereon.

The Trust Agreement requires that a successor Trustee have a combined capital (exclusive of borrowed capital) and surplus of at least $50 million and be subject to supervision or examination by a federal or state banking authority. The County at any time for good cause shown, or the Owners of a majority in the aggregate principal amount of the Certificates then Outstanding at any time and for any reason, may remove the Trustee and appoint a successor. The Trust Agreement further describes the qualifications of the Trustee and its duties, and procedures for resignation, protection and compensation of the Trustee and the appointment of successor trustees.

The Trust Agreement contains certain provisions limiting the liability of the parties thereto, including the following provisions:

(i) except for the payment of Base Rental and Additional Rental when due in accordance with the Lease and the performance of the other covenants of the County contained in the Facilities Lease, the Lease and the Trust Agreement, the County will have no other obligation or liability to the Trustee or the Owners;

(ii) the Trustee will not have any obligation or liability to the Owners to make payment of principal, premium, if any, or interest pertaining to the Certificates except from Base Rental payments by the County under the Lease or other amounts available to it under the Trust Agreement for such purposes;

(iii) the Trustee will not be responsible for (a) providing information to Owners concerning the investment quality of the Certificates, (b) the sufficiency of any Base Rental, (c) the actions or representations of the County, including the performance by the County of duties imposed upon it by the Trust Agreement, the Facilities Lease, and the Lease, (d) the validity or sufficiency of the Trust Agreement, the Lease, the Facilities Lease, the Assignment Agreement or the Certificates, or (e) the value of, or title to, the Facilities; and

(iv) the Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence.

The Trust Agreement may be amended in writing by the County and the Trustee with the consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, or without such consent for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement; in regard to questions arising under the Trust Agreement which the County and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which do not adversely affect the interests of the Certificate Owners; or for any other reason, provided such modification or amendment does not adversely affect the interests of the Certificate Owners; provided that the County and the Trustee may rely in entering into any such modification or amendment upon an opinion of Independent Counsel stating that the foregoing requirements have been met with respect to such amendment or modification. No amendment may impair the right of any Certificate Owner to receive his proportionate share of any Base Rental payments in accordance with the terms of his Certificate.

The Trust Agreement provides that the Lease and the Facilities Lease may be amended for the purposes and in the manner as described above with respect to the Trust Agreement.

If the County desires to obtain the consent of the Owners to any proposed amendment of the Trust Agreement, the Lease or the Facilities Lease, the County may call a meeting of Owners, which will be governed by the procedures set forth in the Trust Agreement, or, alternatively, elicit the written consent of the Owners without a meeting, in accordance with the terms of the Trust Agreement.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Corporation grants, assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, all of its right, title and interest in and to the Facilities Lease and the Lease (except the Corporation's rights to indemnification pursuant to the Lease), including the Corporation's right to receive Base Rental payments as well as its right to enforce the payment of such Base Rental when due or otherwise to protect its interest in case of an event of default by the County under the Lease in accordance with the terms thereof. The Trustee accepts such assignment for the purpose of securing such Base Rental payments and rights to the Owners of the Certificates.

THE FACILITIES LEASE

Pursuant to the Facilities Lease, the Corporation will lease the Facilities from the County at the stated advance rental of $1.00, and will use such property solely for the purposes described in the Lease and for such other purposes as may be incidental thereto. The Facilities Lease will expire upon the earlier of September 1, 2012, or the date of termination of the Lease and, at the expiration thereof, all title to the buildings and improvements on the Facilities will vest in the County.

BOND INSURANCE PROVISIONS

So long as the Municipal Bond Insurance Policy is in full force and effect, the following provisions, among others, shall apply with respect to the Lease and Trust Agreement:

A. Any provision of the Trust Agreement expressly recognizing or granting rights in or to AMBAC Indemnity may not be amended in any manner which affects the rights of AMBAC Indemnity without the prior written consent of AMBAC Indemnity.

B. Unless otherwise provided herein, AMBAC Indemnity's consent shall be required in addition to Owner consent, when required, for the following purposes: (i) execution and delivery of any amendment, supplement or change to or modification of the Lease, the Facilities Lease or Trust Agreement, (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent.

C. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined therein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Trust Agreement.

D. While the Municipal Bond Insurance Policy is in effect, the County or the Trustee, as appropriate, shall furnish to AMBAC Indemnity:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the County and a copy of any audit and annual report of the County;

(b) a copy of any notice to be given to the registered owners of the Certificates, including, without limitation, notice of any prepayment of or defeasance of Certificates, and any certificate rendered pursuant to this Trust Agreement relating to the security for the Certificates; and

(c) such additional information it may reasonably request.

E. The County will permit AMBAC Indemnity to discuss the affairs, finances and accounts of the County or any information AMBAC Indemnity may reasonably request regarding the security for the Certificates with appropriate officers of the County.

F. AMBAC Indemnity shall have the right to direct an accounting at the County's expense, and the County's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC Indemnity shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner.

G. Notwithstanding any other provision of the Trust Agreement, the Trustee or County, as appropriate, shall immediately notify AMBAC Indemnity if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default thereunder.

H. Investments permitted under the Trust Agreement are limited to certain AMBAC-approved investments.

I. Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Certificates shall be paid by AMBAC Indemnity pursuant to the Municipal Bond Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and covenants, agreements and other obligations of the County to the Owners shall continue to exist and shall run to the benefit of AMBAC Indemnity shall be subrogated to the rights of such Owners.

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information herein concerning the Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the County and the Corporation believe to be reliable, but the County and the Corporation take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Certificates. The Certificates will be delivered as fully-registered securities registered in the name Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be executed and delivered for each maturity of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of the actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such certificates are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Prepayment notices will be sent to Cede & Co. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & CO. will consent or vote with respect to Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy to the County assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instruction and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct Participants or Indirect Participants and not of DTC, the Trustee, the County or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation, the County or the Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

NONE OF THE COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE (INCLUDING ANY NOTICE OF PREPAYMENT) THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATE OWNERS UNDER THE TRUST AGREEMENT; (iii) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST DUE WITH RESPECT TO THE CERTIFICATES; (iv) THE SELECTION BY DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY PERSON TO RECEIVE A PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DIRECT PARTICIPANTS, AS ASSIGNEES OF DTC AS CERTIFICATE OWNER. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS ARE ON FILE WITH DTC.

The book-entry system with DTC will be discontinued if (a) DTC determines not to continue to act as securities depository for the Certificates, or (b) the County has advised DTC that it does not wish DTC to continue as securities depository. If the County replaces DTC with another qualified securities depository, a fully-registered Certificate for each maturity registered in the name of the successor will be prepared, consistent with the requirements of the Trust Agreement. If the County fails to select another qualified securities depository to replace DTC, the County will execute and the Trustee will execute and deliver certificated Certificates (the "Replacement Certificates") to the Beneficial Owners of the Certificates. Certificates represented by Replacement Certificates will be transferable only upon presentation in form satisfactory to the Trustee and containing information required by the Trustee in order to effect such transfer. The Trustee may require the owner to pay certain costs and expenses incurred as a result of such transfer. The Trustee will not be required to register the transfer or exchange of any Certificates represented by Replacement Certificates (i) during the 15 days before any date established by the Trustee for selection of Certificates for prepayment, or (ii) which have been selected for prepayment.

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APPENDIX G

FORM OF OPINION OF CO-SPECIAL COUNSEL

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May

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Board of Supervisors
County of San Diego

Re: County of San Diego Certificates of Participation (1993 Master Refunding)

Ladies and Gentlemen:

We have acted as co-special counsel in connection with the sale, execution and delivery of $203,400,000 aggregate principal amount of Certificates of Participation designated the "County of San Diego Certificates of Participation (1993 Master Refunding)" (the "Certificates"), representing proportionate interests of the owners thereof in a Lease Agreement, dated as of May 1, 1993 (the "Lease Agreement"), by and between the County of San Diego (the "County"), a political subdivision of the State of California, and the San Diego County Capital Asset Leasing Corporation (the "Corporation"), a California nonprofit public benefit corporation, including the right to receive payments of Base Rental to be made by the County to the Corporation. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of May 1, 1993 (the "Trust Agreement"), by and among the County, the Corporation and State Street Bank and Trust Company of California, N.A., as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Trust Agreement and the Lease Agreement.

The County has leased the Facilities to the Corporation pursuant to a Facilities Lease, dated as of May 1, 1993 (the "Facilities Lease"), by and between the County and the Corporation. The Lease Agreement has been entered into by the County for the purpose of leasing the Facilities from the Corporation. The County is obligated under the Lease Agreement to pay Base Rental payments in certain circumstances. A portion of each Base Rental payment is designated as interest. The Corporation has assigned its rights to receive the Base Rental payments and certain other rights in the Lease Agreement and the Facilities Lease to the Trustee pursuant to an Assignment Agreement, dated as of May 1, 1993 (the "Assignment Agreement"), by and between the Trustee and the Corporation.

As co-special counsel we have examined copies certified to us as being true and complete copies of the proceedings of the County in connection with the execution and delivery of the Certificates. Our services as co-special counsel were limited to an examination of the transcript of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials, officers of the County and officers of the Corporation as we have considered necessary for the purposes of this opinion.

On the basis of such examination, and in reliance thereon and on our consideration of such questions of law as we have deemed relevant in the circumstances, we are of the opinion that:

1. The Lease Agreement has been duly and validly authorized, executed and delivered by the County and constitutes a legally valid and binding obligation of the County, enforceable in accordance with its terms.

2. The Facilities Lease has been duly and validly authorized, executed and delivered by the County and constitutes a legally valid and binding obligation of the County, enforceable in accordance with its terms.

3. The Trust Agreement has been duly and validly authorized, executed and delivered by the County and constitutes a legally valid and binding obligation of the County, enforceable in accordance with its terms, and the Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

4. The portion of each Base Rental payment due under the Lease Agreement designated as and comprising interest and received by the Owners of the Certificates is excluded under existing statutes, regulations, rulings and court decisions from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from personal income taxes of the State of California under present state law. In addition, original issue discount ("OID"), with respect to the Certificates properly allocable to the Owners of such Certificates, is treated as interest for federal income tax purposes to the same extent as the interest with respect to the Certificates.

The portion of each Base Rental payment designated as and comprising interest and received by the Owners of the Certificates is not an item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following sentence. The interest portion of each Base Rental payment received by a corporation will be included in adjusted current earnings for purposes of computing its alternative minimum tax liability.

OID is includable in adjusted current earnings as it accrues each year rather than at the time OID is actually paid to and received by the Owners of the Certificates upon the maturity or prepayment of the Certificates. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of such Certificate) rather than ratably, and an Owner's adjusted basis in such Certificates, used to determine the amount of gain or loss on disposition of such Certificates, will be increased by the amount of such accrued OID.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the County in the Trust Agreement and in the County's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of Certificate proceeds, the rebate to the federal government of certain earnings thereon and the use of the facilities financed with the proceeds of the Certificates. In addition, we have assumed that all such representations are true and correct and that the County will comply with such covenants. We express no opinion with respect to the exclusion of interest with respect to the Certificates from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the County fails to comply with such covenants. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt of interest with respect to, or disposition of the Certificates.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent that the agreements referred to in such paragraphs may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally. In addition, the enforceability of such agreements is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion as to the availability of equitable remedies, and advise you that a California court may not strictly enforce certain covenants if it concludes that enforcement would be unreasonable under the circumstances. In addition, without in any way limiting or qualifying our opinions set forth above, we advise you that we have not made or undertaken to make any investigation of the state of the title to any of the real property described in the Lease Agreement or the Facilities

Lease, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

No opinion is expressed herein as to the accuracy, completeness or sufficiency of the official statement or other offering materials relating to the Certificates.

Respectfully submitted,

APPENDIX H

INFORMATION CONCERNING THE ARCs AND THE YCCs

GENERAL

This APPENDIX H sets forth certain information relating to the ARCs and the YCCs. Unless otherwise indicated, capitalized terms used herein and not otherwise defined shall have the meaning set forth in APPENDIX E.

TERMS AND FORM

The YCCs and the ARCs shall be delivered in the denomination of $100,000 or any whole multiple thereof (an "Authorized Denomination"). See "Auction Participants - Master Purchaser's Letter" below for information concerning restrictions on the transfer of beneficial ownership of the ARCs.

The ARCs and the YCCs will be delivered in fully-registered form only registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as initial securities depository (including any successors, the "Securities Depository") for the ARCs and the YCCs. Prior to the termination of the Securities Depository System with respect to the ARCs and the YCCs, only beneficial ownership interests in such ARCs and YCCs may be purchased, in Authorized Denominations. See "Securities Depository System and Book-Entry Ownership" herein.

SECURITIES DEPOSITORY AND BOOK-ENTRY OWNERSHIP

Unless a successor Securities Depository is designated pursuant to the Trust Agreement or unless the Securities Depository System is terminated with respect to the ARCs or the YCCs, DTC will act as the Securities Depository for its members and participants (the "Participants") with respect to all of the ARCs and the YCCs. On the date of delivery of the ARCs and the YCCs offered hereby, the ARCs and the YCCs, will each be executed and delivered in a single certificate for each Stated Maturity in the denomination equal to the aggregate principal amount thereof. The ARCs and the YCCs will be registered in the name of Cede & Co., as nominee of DTC. The Securities Depository or its nominee will be the holder of record of all Outstanding ARCs and YCCs, and beneficial owners ("Beneficial Owners") of ARCs and YCCs may not obtain physical possession of ARCs and YCCs unless the Securities Depository resigns, is removed or is unable to continue as Securities Depository and no such successor is appointed. In any such event, Beneficial Owners may obtain physical possession of certificates representing the ARCs and YCCs beneficially owned by them.

The Securities Depository will maintain the positions (ownership interests) held by each Participant in the ARCs and the YCCs (whether or not Linked), whether for its own account or as a nominee. Each Beneficial Owner must make arrangements with its Participant or a Broker-Dealer (as defined below under "Auction Participants - Broker-Dealers"), as applicable, to receive notices and payments with respect to the ARCs and the YCCs. See "Auction Participants - Master Purchaser's Letter" below, and APPENDIX F concerning beneficial ownership of ARCs.

Neither the County nor the Trustee shall have any responsibility or obligation to any Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the ARCs or the YCCs under or through DTC or any Participant, or any other person which is not shown in the bond register of the Trustee as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal premium, if any, and interest with respect to the ARCs or the YCCs; the selection by DTC or any Participant of any Beneficial Owners to receive payment. If ARCs and YCCs are prepaid in part, or any other matter of similar or different kind pertaining to the ARCs and YCCs; the proper transfer or recording of the beneficial ownership of ARCs and YCCs or the CUSIP number associated therewith; any notice which is permitted or required to be given to Owners under the Trust Agreement; or any consent given or other action taken by DTC as an Owner.

So long as Cede & Co., as nominee of DTC or any successor Securities Depository, is the Registered Owner of the ARCs and the YCCs, references herein to the Owners or Registered Owners of the ARCs and the YCCs shall mean Cede & Co. or any such successor as aforesaid, and shall not mean the Beneficial Owners of the ARCs and the YCCs.

For further information concerning DTC and the book-entry system, see the information in APPENDIX F-"Book-Entry-Only System".

MATURITY

The YCCs and the ARCs will mature as follows:

Date	ARCs Maturity	YCCs Maturity
September 1, 2007	$ 6,200,000	$ 6,200,000
September 1, 2012	14,700,000	14,700,000

Payment of the principal of the ARCs and the YCCs at stated maturity shall be made upon the presentation and surrender of such ARCs and YCCs. All payments of principal and premium, if any, upon prepayment of the ARCs and YCCs shall be paid through the Securities Depository in accordance with its normal procedures, which now provide for payment by the Securities Depository to its participants and members in next-day funds.

INTEREST

Interest Payment Dates. Interest with respect to the YCCs and ARCs will accrue from the Date of Original Issue, and will be payable in arrears, commencing on September 1, 1993, and semiannually thereafter on March 1 and September 1 of each year (each such date of payment of interest with respect to the ARCs and the YCCs being herein referred to as an "Interest Payment Date"); provided, however, that if any Interest Payment Date is not a Business Day, interest due on such Interest Payment Date, will be payable on the first Business Day immediately following such Interest Payment Date. The Regular Record Date for each Interest Payment Date with respect to the YCCs and ARCs will be the 15th day of the month immediately preceding such Interest Payment Date.

As used herein, "Business Day" means, with respect to the ARCs and the YCCs, any day other than April 14, April 15, December 30, December 31, a Saturday, Sunday or other day on which banks are authorized or obligated by law or executive order to close in New York, New York, or the city in which is located the principal corporate trust office of the Trustee and other than a day on which the New York Stock Exchange is closed.

Interest on the ARCs. The rate of interest with respect to the ARCs shall be the per annum rate determined by Morgan Stanley & Co. Incorporated on the Business Day immediately preceding the Date of Delivery plus the Service Charge Rate during the period commencing on and including the Date of Delivery and ending on, but excluding, the initial Interest Payment Date (the "Initial Interest Period"). The rate of interest with respect to the ARCs (the "Applicable ARC Rate") for any period thereafter from and including one Interest Payment Date therefor to, but excluding, the next Interest Payment Date therefor (each a "Subsequent Interest Period"; and together with the Initial Interest Period being hereinafter referred to as an "Interest Period") shall, subject to certain exceptions described below, be equal to the sum of:

(i) the Auction Rate that the Auction Agent advises has resulted on the Auction Date (as defined below under "Auctions") from the implementation of auction procedures set forth in the Trust Agreement and attached hereto as APPENDIX I - "Auction Procedures", in which persons determine to hold or offer to sell or, based on interest rates bid by them, offer to purchase or sell ARCs; and

(ii) the Service Charge Rate (as defined below under "Interest - Service Charge").

Each periodic implementation of the Auction Procedures is hereinafter referred to as an "Auction."

The Applicable ARC Rate for any Subsequent Interest Period may not exceed the lesser of (i) the Reference Rate specified on the inside cover page of this Official Statement and (ii) the maximum rate permitted by applicable law.

If an Auction for any Subsequent Interest Period is not held for any reason (other than because all of the Outstanding ARCs are Linked, or are no longer maintained in book-entry form by the Securities Depository, or a Payment Default has occurred), the Applicable ARC Rate for such Interest Period will be equal to the sum of:

(i) the Maximum Rate (as defined below under "Auction Procedures - Certain Definitions") on the Auction Date for such Interest Period; and

(ii) the Service Charge Rate on such Auction Date,

but in no event shall be greater than the Reference Rate. There will be no Auction if the Auction Agent has resigned and the Trustee has failed to appoint a successor. See "Auction Procedures - Concerning the Auction Agent" below.

For any Subsequent Interest Period where the Applicable ARC Rate is determined by adding the Service Charge Rate to the Auction Rate or the Maximum Rate, Beneficial Owners of ARCs will be entitled to receive interest at a rate per annum equal to the Auction Rate or the Maximum Rate, as the case may be, for such Interest Period only. The Service Charge will be deducted from the interest payable to Beneficial Owners of ARCs and paid to the Auction Agent and the Broker-Dealers as a service charge for their participation in, or preparation for, the Auctions.

Beneficial Owners of ARCs that are Linked with YCCs at the close of business on the Regular Record Date immediately preceding an Auction Date will not be obligated to pay the Service Charge to the Auction Agent and the Broker-Dealers on the Interest Payment Date for the Interest Period following such Auction Date and, therefore, will be entitled to receive interest accrued on such ARCs during such Interest Period at a rate per annum equal to the sum of:

(i) the Auction Rate or Maximum Rate, as the case may be, on such Auction Date, and

(ii) the Service Charge Rate on such Auction Date,

but in no event greater than the Reference Rate.

If all Outstanding ARCs are Linked at the close of business on the Regular Record Date immediately preceding a Subsequent Interest Period, an Auction will not be held with respect to such Subsequent Interest Period, and the Applicable ARC Rate for such Subsequent Interest Period will equal one-half the Reference Rate specified on the inside cover page.

If a Payment Default occurs, Auctions will be suspended and the Applicable ARC Rate (i) for the Subsequent Interest Period commencing on or immediately after the date on which such Payment Default occurs shall equal the sum of the Default Rate as of the first day of such Subsequent Interest Period and the Service Charge Rate on the immediately preceding Auction Date and (ii) for each Subsequent Interest Period commencing thereafter to and including the Subsequent Interest Period, if any, during which, or commencing less than two Business Days after, all Payment Defaults are cured shall equal the Default Rate on the first day of such Subsequent Interest Period.

"Payment Default" means the failure to make payment of interest on, premium, if any, and the principal with respect to the ARCs and YCCs when due, if such failure continues for a period of two Business Days and is followed by the failure of the Insurer to make, in accordance with the Insurance Policy, due and punctual payments to or on behalf of the holders of the ARCs and YCCs of such payment if so required under the Insurance Policy.

"Default Rate" on any date of determination means the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the ARCs Index or (ii) the Reference Rate; provided that if an Auction was held on the Business Day immediately preceding the first day of an Interest Period during which the ARCs are to bear interest at the Default Rate, the Default Rate for such Interest Period shall be reduced by an amount equal to the Service Charge Rate.

If the ownership of the ARCs is no longer maintained in book-entry form by the Securities Depository, the Applicable ARC Rate for each Subsequent Interest Period commencing after the delivery of certificates representing the ARCs will equal the Maximum Rate on the Business Day immediately preceding the first day of such Subsequent Interest Period.

Interest with respect to the ARCs shall be computed on the basis of a 360-day year comprised of 12 months of 30 days each.

Service Charge. The following amounts (a "Service Charge") will be deducted from each interest payment on ARCs which were not Linked at the close of business on the Regular Record Date immediately preceding the Interest Period in which such interest accrued; the product of (a) one-half the Service Charge Rate, times (b) the principal amount of such ARCs; provided, however, that the Service Charge for the Initial Interest Period will be the product of (a) the Service Charge Rate times (b) a fraction, the number of which is the number of days in the Initial Interest Period, provided, each full month in the Initial Interest Period is assumed to have 30 days, and the denominator of which is 360 times (c) the principal amount of such ARCs. Such Service Charge will be paid to the Auction Agent in respect of certain administrative fees owing to the Auction Agent and the Broker-Dealers for services rendered by them on each Auction Date.

The Service Charge Rate means, (i) on the Date of Delivery 0.28% per annum, and (ii) on any Auction Date the sum of: (1) the Broker-Dealer Fee Rate (as defined below under "Auction Procedures - Broker-Dealers") (initially 0.25%) on such Auction Date and (ii) the Auction Agent Fee Rate (as defined below under "Auction Procedures - Concerning the Auction Agent") (initially 0.03%) on such Auction Date. See "Auction Procedures - Concerning the Auction Agent" and "-Broker-Dealers" below for a description of the circumstances under which the Auction Agent Fee Rate or the Broker-Dealer Fee Rate may be increased.

Interest on the YCCs. The rate of interest with respect to the YCCs for the initial Interest Period will be the per annum rate determined by the Auction Agent on the Business Day immediately preceding the Date of Delivery.

The interest rate with respect to the YCCs for each Subsequent Interest Period shall be equal to the excess, if any, taken (without rounding) to the one thousandth (.001) of 1%, of:

(i) the Reference Rate, over

(ii) the Applicable ARC Rate for such Subsequent Interest Period.

Any increase in the Service Charge Rate resulting from an increase in the Broker-Dealer Fee Rate or the Auction Agent Fee Rate will result in an increase in the Applicable ARC Rate and a corresponding reduction in the interest rate on the YCCs.

No interest with respect to the YCCs will be payable for any Subsequent Interest Period in which the Applicable ARC Rate is equal to the Reference Rate specified on the inside cover page of this Official Statement. See "Linkage of YCCs with ARCs" and "Special Considerations" below.

Beneficial Owners of YCCs may obtain information with respect to the interest rate with respect to the YCCs for each Subsequent Interest Period by contacting the Auction Agent during its normal business hours.

Interest with respect to the YCCs shall be computed on the basis of a 360-day year comprised of 12 months of 30 days each.

AUCTION PARTICIPANTS

Existing Holders and Potential Holders. Participants in each Auction will include (i) Existing Holders and (ii) Potential Holders. As used herein, "Existing Holder" means, with respect to an ARCs (or any portion thereof equal to an Authorized Denomination thereof) which is not Linked, a Person who has signed a Master Purchaser's Letter and is listed as the beneficial owner of such ARCs or portion thereof in the records of the Auction Agent; and "Potential Holder" means, with respect to ARCs, any Person, including any Existing Holder, (i) who shall have executed a Master Purchaser's Letter and (ii) who may be interested in acquiring the beneficial ownership of ARCs (or, in the case of an Existing Holder, the beneficial ownership of an additional principal amount of ARCs). The Auction Agent may rely upon, as evidence of the identities of the Existing Holders, a list of the initial owners of the ARCs provided by the Trustee, the results of Auctions, notices from any Existing Holder, the Participant of such Existing Holder or the Broker-Dealer of such Existing Holder with respect to transfers and requests from any Broker-Dealer with respect to the linkage of ARCs with YCCs or the separation of ARCs from YCCs.

Master Purchaser's Letter. As a condition to purchasing ARCs that are not Linked with YCCs, in any Auction or otherwise, each prospective purchaser of ARCs or its Broker-Dealer will be required to sign and deliver to the Auction Agent a Master Purchaser's Letter in which such prospective purchaser will agree, among other things:

(a) to participate in Auctions on the terms set forth in APPENDIX I hereto;

(b) so long as the beneficial ownership of the ARCs is maintained in book-entry form by the Securities Depository, to sell, transfer or otherwise dispose of ARCs which are not Linked with YCCs only pursuant to a Bid or a Sell Order (each as defined below under "Auction Procedures - Orders By Existing Holders and Potential Holders") in an Auction, or to or through a Broker-Dealer or to a person who has delivered a signed Master Purchaser's Letter to the Auction Agent, provided that in the case of all transfers other than those pursuant to an Auction, the

Existing Holder of ARCs so transferred, its Participant or its Broker-Dealer advises the Auction Agent of such transfer; and

(c) to have its beneficial ownership of ARCs maintained at all times in book-entry form by the Securities Depository for the account of its Participant of the Securities Depository, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Notwithstanding the provisions of the Master Purchaser's Letter, ARCs which are Linked with YCCs will not be subject to the restrictions on transfer of beneficial ownership contained in the Master Purchaser's Letter, and beneficial ownership may be transferred, together with the beneficial ownership of the YCCs with which they are Linked, to a Person who has not signed a Master Purchaser's Letter. See "Linkage of YCCs with ARCs" below.

Each prospective purchaser should ask its Broker-Dealer whether such prospective purchaser should sign a Master Purchaser's Letter. If the Broker-Dealer submits Orders (as defined below under "Auction Procedures - Orders By Existing Holders and Potential Holders") for such prospective purchaser listing the Broker-Dealer as the Existing Holder or the Potential Holder, a Master Purchaser's Letter signed by such prospective purchaser may not be required.

Execution copies of the Master Purchaser's Letter, two copies of which are to be sent to the Auction Agent and one copy of which is to be sent to a Broker-Dealer, are included as APPENDIX K. Execution by a prospective purchaser or its Broker-Dealer of a Master Purchaser's Letter is not a commitment to purchase ARCs in the offering being made by this Official Statement or in any Auction but is a condition precedent to purchasing ARCs that are not Linked with YCCs.

Auction Agent. Pursuant to the Trust Agreement, the Trustee will enter into an agreement (the "Auction Agency Agreement") with Chemical Bank (together with any successor bank or trust company or other entity entering into a similar agreement with the Trustee, the "Auction Agent") which provides, among other things, that the Auction Agent will follow the Auction Procedures for the purposes of determining the Applicable ARC Rate so long as the Applicable ARC Rate is to be based on the results of an Auction. See "Auction Procedures - Concerning the Auction Agent" below.

Market Agent. The Trustee will enter into a market agent agreement (the "Market Agent Agreement") with Morgan Stanley & Co. Incorporated (together with any successor as market agent under the Trust Agreement, the "Market Agent"), under which such firm agrees to exercise the duties and responsibilities with respect to a change in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate and the Default Rate in the event of a Change of Preference Law (as defined below under "Auction Procedures - Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate"). See "Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate" below. Morgan Stanley & Co. Incorporated will receive no compensation for acting as Market Agent. The Auction Agent has agreed to pay, out of the Auction Agent Fee, the fees, if any, of any successor Market Agent in the event that Morgan Stanley & Co. Incorporated resigns or is removed as Market Agent. The payment of any such fees by the Auction Agent could result in an increase in the Auction Agent Fee. See "Auction Procedures - Concerning the Auction Agent" below. The Trustee acting at the direction of the Holders of at least 66 2/3% of the principal amount of the YCCs and ARCs, may remove the Market Agent.

Broker-Dealers. Each Auction and the Linking of ARCs with YCCs require the participation of one or more broker-dealers. The Auction Agent will enter into an agreement with Morgan Stanley & Co. Incorporated and may enter into similar agreements (collectively with Morgan Stanley & Co. Incorporated, the "Broker-Dealer Agreements") with one or more additional broker-dealers (collectively, the "Broker-Dealers") approved by the Trustee, which provide for the participation of Broker-Dealers in Auctions. See "Auction Participants -Broker-Dealers" below. Broker-Dealers must deliver manually signed Broker-Dealer Agreements to the Auction Agent at least five Business Days before the first Auction in which they are to participate.

The Auction Agent will maintain a register of the Beneficial Owners of ARCs. The Auction Agent shall be required to register a transfer of ARCs from a Beneficial Owner to another Person for purposes of Auctions only if such transfer is made to a Person that has delivered a signed Master Purchaser's Letter to the Auction Agent and if (i) such transfer is pursuant to an Auction or (ii) the Auction Agent has been notified in writing of (A) such transfer by such Existing Holder, the Participant of such Existing Holder or the Broker-Dealer of such Existing Holder or (B) the failure of such ARCs to be transferred as a result of an Auction by the Broker-Dealer of any Person that purchased or sold such ARCs in an Auction. The Auction Agent is not required to accept any such notice for an Auction if it is received by the Auction Agent during the period (i) commencing immediately prior to the opening of business on the Date of Delivery and ending immediately prior to the opening of business on the Initial Interest Payment Date, (ii) commencing at 11:00 A.M., New York, New York time, on the Business Day immediately preceding any Regular Record Date for ARCs and ending immediately prior to the opening of business on the related Interest Payment Date or (iii) commencing at 11:00 a.m., New York, New York time, on the Business Day immediately preceding the Redemption Record date for ARCs and ending immediately prior to the opening of business on the related redemption date (each, a "Closed Period"). Except during a Closed Period, the Auction Agent will promptly revise its list of Existing Holders for purposes of Auctions upon receipt of a Linking Request or a Request To Separate (each as defined below under "Linkage of YCCs with ARCs") from a Broker-Dealer. See "Linkage of YCCs with ARCs" below.

AUCTIONS

Except as otherwise described herein, an Auction to determine the Applicable ARC Rate for each Subsequent Interest Period will be held on the Business Day immediately preceding each Interest Payment Date (each, an "Auction Date").

Auction Procedures

The following summary of the Auction Procedures to be used with respect to Auctions is qualified by reference to the Auction Procedures attached hereto as APPENDIX I.

Orders By Existing Holders and Potential Holders. Prior to the Submission Deadline (as defined below under "Auction Procedures - Submission of Orders By Broker-Dealers to Auction Agent") on each Auction Date:

(a) Existing Holder Orders: each Existing Holder of ARCs may submit to a Broker-Dealer a:

(i) Hold Order - indicating the principal amount of Outstanding ARCs, if any, held by such Existing Holder that such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(ii) Bid - indicating the principal amount of Outstanding ARCs, if any, that such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified in such Bid by such Existing Holder; and/or

(iii) Sell Order - indicating the principal amount of Outstanding ARCs, if any, held by such Existing Holder that such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(b) Potential Holder Orders: Broker-Dealers may contact Potential Holders to determine their Bids - the principal amount of ARCs which such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rates per annum specified by such Potential Holder.

The communication to a Broker-Dealer of the foregoing information is herein referred to as an "Order" and, collectively, as "Orders." An Existing Holder or a Potential Holder placing an Order is herein referred to as a "Bidder" and, collectively, as "Bidders."

An Order may be submitted only in a principal amount of $100,000 or any whole multiple thereof.

An Existing Holder who is also the Beneficial Owner of ARCs which were Linked with YCCs at the close of business on the immediately preceding Regular Record Date may not submit Orders in an Auction with respect to such Linked ARCs and such Linked ARCs will not be included in the aggregate principal amount of ARCs held by such Existing Holder for the purposes of the Auction Procedures.

If any Beneficial Owner of ARCs which were Linked with YCCs at the close of business on the immediately preceding Regular Record Date submits a Bid with respect to such ARCs, such Bid will be treated as a Bid by a Potential Holder as set forth herein.

An Existing Holder may submit different types of Orders in an Auction with respect to ARCs then held by such Existing Holder. An Existing Holder that offers to purchase additional ARCs is, for purposes of such offer, treated as a Potential Holder. For information concerning the priority given to different types of Orders placed by Existing Holders, see "Auction Procedures - Submission of Orders By Broker-Dealers to Auction Agent" below.

The Master Purchaser's Letter to be signed by each Existing Holder and each Potential Holder of ARCs provides that (i) a Sell Order placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of Outstanding ARCs subject thereto, (ii) a Bid placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of ARCs subject thereto if the rate specified in such Bid is greater than the Auction Rate determined in the Auction and (iii) a Bid placed by a Potential Holder shall constitute an irrevocable offer to purchase the principal amount of ARCs subject thereto if the rate specified in such Bid is less than or equal to the Auction Rate determined in the Auction. The principal amount of ARCs purchased or sold may be subject to proration procedures. See "Auction Procedures - Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of ARCs" below. Each purchase or sale of ARCs shall be made for settlement in same day funds on the first Business Day following the Auction Date at a price equal to 100% of the principal amount thereof. See "Auction Procedures - Notification of Results; Settlement" below. The Auction Agent is entitled to rely upon the terms of any Order submitted to it by a Broker-Dealer.

None of the County, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent. If an Order or Orders covering the entire outstanding principal amount of ARCs held by an Existing Holder is not submitted to the

Auction Agent prior to the Submission Deadline, either because a Broker-Dealer failed to contact such Existing Holder or otherwise, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the outstanding principal amount of ARCs held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

None of the County or any affiliate thereof may submit an Order in any Auction.

Certain Definitions.

"ARCS Index" equals the greater of the 30-Day After-Tax Equivalent Rate or the 6-Month After-Tax Equivalent Rate.

As used herein, "30-Day After-Tax Equivalent Rate," on any date of determination, means the interest rate per annum equal to:

30-Day "AA" Composite Commercial Paper Rate on such date times (1.00 minus the Statutory Corporate Tax Rate on such date); and

"6-Month After-Tax Equivalent Rate," on any date of determination, means the interest rate per annum equal to:

6-Month "AA" Composite Commercial Paper Rate on such date times (1.00 minus the Statutory Corporate Tax Rate on such date).

For the purposes of the definitions of 30-Day After-Tax Equivalent Rate and 6-Month After-Tax Equivalent Rate,

(i) "Statutory Corporate Tax Rate," on any date of determination, means the highest tax rate bracket (expressed as a decimal) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate is currently 34%;

(ii) "30-Day 'AA' Composite Commercial Paper Rate," on any date of determination, means (A) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Morgan Stanley & Co., Incorporated, Lehman Commercial Paper, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination; and

(iii) "6-Month 'AA' Composite Commercial Paper Rate," on any date of determination, means (A) the interest equivalent of the 180-day rate on commercial paper placed on behalf of issuers whose corporate bond are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers to the Auction

Agent for the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of 30-Day "AA" Composite Commercial Paper Rate and 6-Month "AA" Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the 30-Day "AA" Composite Commercial Paper Rate or the 6-Month "AA" Composite Commercial Paper Rate, the 30-Day "AA" Composite Commercial Paper Rate or the 6-Month "AA" Composite Commercial Paper Rate as the case may be, shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be The First Boston Corporation or Goldman, Sachs & Co., or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Trustee (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Trustee does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealer, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

If for any reason on any Auction Date the ARCS Index shall not be determined as hereinabove provided, the Index shall be the ARCs Rate for the Interest Period ending on such Auction Date.

"Applicable Percentage" means, with respect to the ARCs and the YCCs, on any date of determination, the percentage determined as set forth below (as such percentage may be adjusted as discussed below under "Auction Procedures - Changes in the Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate") based on the lower of the credit ratings of the ARCs in effect at the close of business on the Business Day immediately preceding such date of determination:

Prevailing Rating	Applicable Percentage
AAA/"Aaa"	175%
AA/"Aa"	175
A/"A"	175
BBB/"Baa"	200
Below BBB/"Baa"	265

For purposes of this definition, the "prevailing rate" of the ARCs will be:

(i) AAA/ "Aaa" if the ARCs have a rating of AAA/ "Aaa" by S&P and Moody's, respectively, or the equivalent of such rating by a substitute rating agency or agencies selected as provided below;

(ii) if not AAA/ "Aaa", then AA/ "Aa" if the ARCs have a rating of AA- and "Aa3" or better by S&P and Moody's, respectively, or the equivalent of such rating by a substitute rating agency or agencies as provided below;

(iii) if not AAA/ "Aaa", AA/ "Aa", then A/ "A" if the ARCs have a rating of A- and "A3" or better by S&P and Moody's, respectively, or the equivalent of such rating by a substitute rating agency or agencies selected as provided below;

(iv) if not AAA/ "Aaa", AA/ "Aa" or A/ "A", then BBB,/ "Baa" if the ARCs have a rating of BBB- or "Baa" or better by S&P and Moody's, respectively, or the equivalent of such rating by a substitute rating agency or agencies selected as provided below; and

(v) if not AAA/ "Aaa", AA/ "Aa", A/"A" or BBB/ "Baa", then below BBB/ "Baa" whether or not the ARCs are rated by any rating agency.

If (x) the ARCs are rated by a rating service other than S&P or Moody's and (y) the County has delivered to the Trustee and the Auction Agent an instrument designating one or more rating agencies to replace S&P or Moody's then for purposes of this definition of "prevailing rating" S&P or Moody's will be deemed to have been replaced in accordance with such instrument; provided, however, that such instrument shall be accompanied by the consent of the Market Agent. For purposes of this definition, the term "rating agency" means a nationally recognized statistical rating organization (as that term is used in the rules and regulations of the Securities and Exchange Commission under the Securities Exchange Act) and S&P's rating categories of AAA, AA-, A- and BBB- and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa" refer to and include the respective rating categories correlative thereto if any such rating agency has changed or modified its generic rating categories or if Moody's and S&P no longer rate the ARCs and have been replaced. If the prevailing ratings for the ARCs are split between categories set forth above, the lower rating will determine the prevailing rating.

The above percentages may be adjusted by the Market Agent to reflect a Change of Preference Law. Any such adjustment could affect the interest rate on YCCs for future Interest Periods. See "Auction Procedures - Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate" below.

"Maximum Rate" means, as of any Auction Date, the product of the ARCS Index in effect on such date multiplied by the Applicable Percentage; provided, that if the ownership of the ARCs is no longer maintained in book-entry form by the Securities Depository, the Maximum Rate on any date of determination will mean the least of (x) the Applicable Percentage of the higher of (1) the 30-Day After-Tax Equivalent Rate on such date and (2) the 60-Day After-Tax Equivalent Rate on such date, (y) the Reference Rate and (z) the maximum rate, if any, permitted by California law as the same may be modified by United States law of general application; and provided, further, that in no event shall the Maximum Rate, when added to the Service Charge, exceed 11.00% per annum for the ARCs and YCCs due September 1, 2007 and 11.25% for the ARCs and YCCs due September 1,2012.

"Minimum Rate" means, as of any date of determination thereof, 90% of the ARCS Index; provided, however, that (x) if the Minimum Rate is applicable to the ARCs as determined pursuant to the Auction Procedures, in no event shall such Minimum Rate exceed the excess of (A) the Reference Rate over (B) the Service Charge Rate on such date or (y) if the Minimum Rate is applicable to the ARCs due to the linkage of all of the beneficial ownership of the ARCs with all of the beneficial ownership of the YCCs, in no event shall such Minimum Rate exceed the Reference Rate. See "Auction Procedures - Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate" below.

Submission of Orders By Brokers-Dealers to Auction Agent. Prior to 1:00 P.M., New York, New York time, on each Auction Date, or such other time specified by the Auction Agent (the "Submission Deadline"), each Broker-Dealer shall submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date. Orders submitted by Broker-Dealers are irrevocable following the Submission Deadline.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Holder and (ii) not be accepted if submitted by a Potential Holder. See "Auction Procedures - Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" and "Auction Procedures - Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of ARCs" below.

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding ARCs held by such Existing Holder, such Order shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the aggregate principal amount of ARCs held by such Existing Holder, and if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

(ii) (A) any Bid shall be considered valid up to and including the excess of the aggregate principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Order referred to in clause (i) above;

(B) subject to subclause (A), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of ARCs subject to each Bid with the same rate shall be reduce pro rata to cover in the aggregate only the principal amount of ARCs equal to such excess;

(C) subject to subclauses (A) and (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate specified therein; and

(iii) all Sell Orders shall be considered valid but only up to and including the excess of the aggregate principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (i) and valid Bids referred to in clause (ii) above.

Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination shall be rejected.

Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the Minimum Rate shall be treated as a Bid specifying the Minimum Rate and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate. Not earlier than the Submission Deadline on each Auction Date, and promptly after such Submission Deadline the Auction Agent will assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being herein referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order") and will determine the excess of the total principal amount of Outstanding ARCs over the principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being herein referred to as the "Available ARCs") and whether Sufficient Clearing Bids have been made in the Auction. Sufficient Clearing Bids will have been made if the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate equals or exceeds the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate and the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders.

If Sufficient Clearing Bids exist, the Auction Rate for the next Interest Period will be the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") which, taking into account the rates in all Submitted Bids of Existing Holders, would result in Existing Holders continuing to hold an aggregate principal amount of Outstanding ARCs which, when added to the principal amount of Outstanding ARCs to be purchased by such Potential Holders, based on the rates in their Submitted Bids, would equal not less than the Available ARCs.

If Sufficient Clearing Bids have not been made (other than because all ARCs are subject to Submitted Hold Orders), the Auction Rate for the next succeeding Interest Period will be the Maximum Rate. If Sufficient Clearing Bids have not been made, Existing Holders that have submitted Sell Orders may not be able to sell in the Auction all ARCs subject to such Submitted Sell Orders. See "Auction Procedures - Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of ARCs" below.

If all of the Outstanding ARCs are subject to Submitted Hold Orders, the Auction Rate for the next succeeding Interest Period will be equal to the Minimum Rate.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of ARCs. Based on the determinations made under "Auction Procedures - Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" above and, subject to the discretion of the Auction Agent to round off fractional amounts as described below, Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the order of priority set forth in the Auction Procedures with the result that Existing Holders and Potential Holders of ARCs shall sell, continue to hold and/or purchase ARCs as set forth below. Existing Holders that submitted or were deemed to have submitted Hold Orders shall continue to hold ARCs subject to such Hold Orders.

If Sufficient Clearing Bids have been made:

(a) each Existing Holder that placed a Submitted Sell Order or Submitted Bid specifying a rate higher than the Winning Bid Rate shall sell the aggregate principal amount of ARCs subject to such Submitted Sell Order or Submitted Bid;

(b) each Existing Holder that placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid;

(c) each Potential Holder that placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall purchase the aggregate principal amount of ARCs subject to such Submitted Bid;

(d) each Existing Holder that placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid unless the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids is greater than the aggregate principal amount of Available ARCs less the ARCs accounted for in clauses (b) and (c) above, in which event each Existing Holder that placed such a Submitted Bid shall continue to hold a principal amount of Outstanding ARCs subject to such Submitted Bid determined on a pro rata basis based on the aggregate principal amount of outstanding ARCs subject to all such Submitted Bids by Existing Holders; and

(e) each Potential Holder that placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall purchase any Available ARCs not accounted for in clause (b), (c) or (d) above on a pro rata basis based on the aggregate principal amount of outstanding ARCs subject to all such Submitted Bids.

If Sufficient Clearing Bids have not been made (unless all of the Outstanding ARCs are subject to Submitted Hold Orders):

(a) each Existing Holder that placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate shall continue to hold the principal amount of ARCs subject to such Submitted Bid;

(b) each Potential Holder that placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate shall purchase the principal amount of ARCs subject to such Submitted Bid; and

(c) each Existing Holder that placed a Submitted Bid specifying a rate higher than the Maximum Rate or a Submitted Sell Order shall sell a principal amount of ARCs determined by allocating the aggregate principal amount of ARCs specified in Potential-Holder Bids described in (b) above on a pro rata basis based on the aggregate principal amount of ARCs subject to all such Submitted Bids and Submitted Sell Orders.

If, as a result of the Auction Procedures, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARCs that is not equal to an Authorized Denomination, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of ARCs being sold or purchased on such Auction Date so that the principal amount of ARCs sold or purchased by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination, even if such allocation results in one or more of such Potential Holders not purchasing ARCs.

Notification of Results; Settlement. The following summary of the Settlement Procedures to be used with respect to Auctions is qualified by reference to the Settlement Procedures attached hereto as APPENDIX J.

The Auction Agent is required to advise each Broker-Dealer that submitted an Order of the Auction Rate for the next Interest Period and, if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone by approximately 3:00 P.M., New York, New York time, on each Auction Date. Each Broker-Dealer that submitted an Order on behalf of a Bidder is required to then advise such Bidder of the Auction Rate for the next Interest Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, confirm purchases and sales with each Bidder purchasing or selling ARCs as a result of the Auction and advise each Bidder purchasing or selling ARCs as a result of the Auction to give instructions to its Participant in the Securities Depository to pay the purchase price against delivery of such ARCs or to deliver such ARCs against payment therefor, as appropriate. The Auction Agent will record each transfer of ARCs on the registry of Existing Holders to be maintained by the Auction Agent. See "Auction Participants -Master Purchaser's Letter" above.

In accordance with the Securities Depository's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through the Securities Depository, and the accounts of the respective Participants at the Securities Depository will be debited and credited and ARCs delivered as necessary to effect the purchases and sales of ARCs as determined in the Auction. Purchasers are required to make payment through their Participants in same-day funds to the Securities Depository against delivery through their Participants. The Securities Depository will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Participants in same-day funds.

If any Existing Holder selling ARCs in an Auction fails to deliver such ARCs, the Broker-Dealer of any Person that was to have purchased ARCs in such Auction may deliver to such Person a principal amount of ARCs that is less than the principal amount of ARCs that otherwise was to be purchased by such Person but in any event equal to an Authorized Denomination. In such event, the principal amount of ARCs to be delivered shall be determined by such Broker-Dealer. Delivery of such lesser principal amount of ARCs shall constitute good delivery.

Concerning the Auction Agent. Chemical Bank is the initial Auction Agent under the Trust Agreement.

The Auction Agent is acting as agent for the Trustee in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts.

The Auction Agent may terminate the Auction Agency Agreement upon notice to the Trustee, the Issuer and the Market Agent on a date no earlier than 90 days after such notice. If the Auction Agent should resign or be removed, the Trustee is obligated to use its best efforts to appoint a successor Auction Agent and enter into an agreement with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. The Trustee, acting at the direction of the Holders of at least 66 2/3% of the aggregate principal amount of the YCCs and ARCs, may remove the Auction Agent at any time upon 90 days' notice.

On the first Interest Payment Date and the Interest Payment Date for each Interest Period immediately following an Auction Date, the Auction Agent will be entitled to receive a fee for all services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreements with respect to the Auction in an amount initially equal to an annualized rate of .03 of 1% of the aggregate principal amount of the ARCs upon which interest is paid and which was not linked with YCCs at the close of business on the Regular Record Date immediately preceding such Auction Date (the "Auction Agent Fee"). In addition, the Auction Agent will be entitled to receive on the Initial Interest Payment Date the Auction Agent Fee calculated for the Initial Interest Period on the initial aggregate principal amount of the ARCs for all services rendered by it in connection with the original issuance of the ARCs.

The Auction Agency Agreement provides that the rate at which the Auction Agent fee accrues will be such that the Auction Agent receives as compensation for all services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreements an amount comparable to that received by the Auction Agent and at least two other institutions that perform similar functions for rendering comparable services to others and which at least reflects the actual costs to the

Auction Agent of rendering such services, including the amount of any fees payable by the Auction Agent to the Market Agent. See "Auction Participants - Market Agent" above. The Auction Agent and the Trustee (or, if the Trustee is also serving as the Auction Agent, the Market Agent) have agreed to negotiate in good faith from time to time to determine the appropriate rate at which the Auction Agent Fee should accrue. If the Auction Agent and the Trustee (or the Market Agent, as the case may be) agree to an increase in the rate at which the Auction Agent Fee is to accrue, the Auction Agent is required to give notice thereof to all Existing Holders within two Business Days of such change and the Trustee is required to mail a notice thereof to all Holders of ARCs and YCCs within two Business Days of such change. See "Interest - Service Charge" above for a description of the manner in which the Auction Agent Fee will be paid.

<u>Broker-Dealers.</u> On the Interest Payment Date for each Interest Period immediately following an Auction Date, each Broker-Dealer will be entitled to receive a service charge with respect to the Auction held on such Auction Date in an amount initially equal to an annualized rate of .25% of 1% of the aggregate purchase price of the ARCs upon which interest is paid and which were placed by such Broker-Dealer at such Auction (all such fees are collectively referred to herein as the "Broker-Dealer Fee"). For purposes of the preceding sentence, ARCs will be deemed to have been placed by a Broker-Dealer in an Auction if such ARCs were (i) the subject of Hold Orders deemed to have been made by Existing Holders and were acquired by such Existing Holders through such Broker-Dealer or (ii) the subject of an Order submitted by such Broker-Dealer that is (A) a Submitted Bid of an Existing Holder that resulted in such Existing Holder continuing to hold such ARCs as a result of the Auction, (B) a Submitted Bid of a Potential Holder that resulted in such Potential Holder purchasing such ARCs as a result of the Auction or (C) a valid Hold Order. In addition ARCs will be deemed to have been placed by a Broker-Dealer in such Auction if such ARCs were acquired by an Existing Holder through such Broker-Dealer. Each Broker-Dealer will also be entitled to receive a service charge on the Initial Interest Payment Date calculated for the Initial Interest Period on the aggregate principal amount of the ARCs initially sold by such Broker-Dealer or an affiliate thereof as an underwriter in the initial offering of the ARCs.

The Auction Agency Agreement provides that the rate at which the Broker-Dealer Fee accrues will be the prevailing rate received by broker-dealers for rendering comparable services to others. The Auction Agent has agreed to advise, after due inquiry, the Trustee, at the Trustee's request, at least annually of the then-current prevailing rate received by broker-dealers for rendering comparable services to others. The Trustee will adjust the rate at which the Broker-Dealer Fee accrues, if necessary, to equal such prevailing rate. If the Trustee determines to increase the rate at which the Broker-Dealer Fee accrues, the Auction Agent is required to give notice thereof to the Existing Holders within two Business Days of such change and the Trustee is required to mail a notice thereof to the Holders of ARCs and YCCs within two Business Days of such change. See "Interest - Service Charge" above for a description of the manner in which the Broker-Dealer Fee will be paid.

If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders because it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers in the Auction.

<u>Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate.</u> The Market Agent may adjust the percentage used in determining the Minimum Rate and the Applicable Percentages used in determining the Maximum Rate and the Default Rate if adjustment of such percentages is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that the ARCs bearing interest at the Minimum Rate and the Maximum Rate would have substantially equal market values before and after such Change of Preference Law. The Trust Agreement specifies certain factors to be taken into account by the Market Agent in

making any such adjustment. Any such adjustment could affect the interest rate on YCCs for future Interest Periods. A "Change of Preference Law" means any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date of the Trust Agreement which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any owner of obligations the interest on which is excluded from federal gross income under Section 103 of the Code.

The Market Agent shall communicate its determination to adjust the percentage used in determining the Minimum Rate and the Applicable Percentages used in determining the Maximum Rate and the Default Rate by means of a written notice delivered to the Issuer, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change and accompanied by a form of an opinion of bond counsel to the effect that such adjustment is authorized by the Trust Agreement, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Certificates from gross income of the owners thereof for federal income tax purposes. Such notice shall be effective only if, prior to the change, the Trustee receives an updated authorization from the Market Agent as described in the Trust Agreement and an opinion in such form on such Auction Date from nationally recognized bond counsel.

An adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate and the Default Rate shall take effect on an Auction Date only if: (i) the Trustee and the Auction Agent receive, by 11:00 A.M., New York, New York time, on the Business Day immediately preceding such Auction Date, a certificate from the Market Agent by telecopy or similar means (A) authorizing the adjustment of the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate and the Default Rate which shall be specified in such authorization and (B) confirming that counsel expects to be able to give an opinion of bond counsel on such Auction Date to the effect that the adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage to determine the Maximum Rate and the Default Rate is authorized by the Trust Agreement, is permitted under the laws of the State and will not have an adverse effect on the exclusion of interest on the Certificates from gross income of the owners thereof for federal income tax purposes; and (ii) the Trustee and the Auction Agent receive, by 9:30 A.M., New York, New York time, on such Auction Date, an opinion of bond counsel to the effect that the adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate and the Default Rate is authorized by the Trust Agreement, is permitted under the laws of the State and will not have an adverse effect on the exclusion of interest on the Certificates from gross income of the owners thereof for federal income tax purposes. Any proposed adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate and the Default Rate that falls under this section shall not affect the percentage used to determine the Minimum Rate and the Applicable Percentage then in effect.

Existing Holders to whom any of the foregoing notices have been delivered should contact their respective Broker-Dealers to be given information regarding any of the foregoing changes.

LINKAGE OF YCCS WITH ARCS

Linking. Beneficial Owners of YCCs may link such YCCs with an equal principal amount of ARCs of the same maturity by purchasing such ARCs and requesting its Broker-Dealer to deliver to the Auction Agent a request for linking (in the form attached as an exhibit to the

Broker-Dealer Agreements) (a "Linking Request") specifying the principal amount of ARCs and YCCs to be Linked and the Participant of such Beneficial Owner.

However, the YCCs and the ARCs may not be Linked during the period (the "Closed Period"): (i) commencing immediately prior to the opening of business on the Date of Delivery and ending immediately prior to the opening of business on the Initial Interest Payment Date; (ii) commencing at 11:00 A.M., New York, New York time, on the Business Day immediately preceding each Regular Record Date for ARCs and ending immediately prior to the opening of business on the related Interest Payment Date; or (iii) commencing at 11:00 A.M., New York, New York time, on the Business Day immediately preceding each Redemption Record Date for ARCs and ending immediately prior to the opening of business on the related redemption date.

The Auction Agent will deliver appropriate instructions to the Securities Depository to debit such ARCs and YCCs from and to credit the account of the Participant specified in the Linking Request. ARCs and YCCs which have been Linked are herein collectively referred to as "Linked Securities." When Linked Securities are credited, the beneficial ownership thereof will be recorded at the Securities Depository under a single CUSIP number. See "CUSIP Numbers" below.

A Linking Request which is submitted to the Auction Agent by 12:00 noon New York, New York time on any Business Day (other than during a Closed Period) will, under procedures to be used by the Auction Agent and the Securities Depository, normally result in the linkage of the YCCs and the ARCs subject to such Linking Request under a single CUSIP number immediately prior to the close of business on the next succeeding Business Day.

Beneficial Owners of ARCs which were Linked with YCCs at the close of business on the Regular Record Date immediately preceding any Auction Date may not participate in the Auction held on such Auction Date. As a result, however, such Beneficial Owners will not be obligated to pay the Service Charge with respect to such ARCs on the Interest Payment Dates following the next succeeding Interest Period.

YCCs and ARCs which are Linked may only be transferred together as Linked Securities in minimum denominations of $200,000 ($100,000 principal amount of YCCs and $100,000 principal amount of ARCs) and any multiple thereof.

A purchaser of Linked Securities in the secondary market will make payment of the purchase price thereof in accordance with the Securities Depository's then-current normal procedures, which now provide for payment in next-day funds against delivery to its Participant of such Linked Securities.

If the YCCs or the ARCs are no longer maintained in book-entry form by the Securities Depository, the YCCs and the ARCs may not be Linked. See "Securities Depository and Book-Entry Ownership" above for a description of the circumstances under which the YCCs or the ARCs may no longer be maintained in book-entry form by the Securities Depository.

Separating YCCs and ARCs. A Beneficial Owner of Linked Securities may separate such Linked Securities at any time, other than during a Closed Period, by requesting its Broker-Dealer to deliver to the Auction Agent a request to separate (in the form attached as an exhibit to the Broker-Dealer Agreement) (a "Request To Separate"), specifying the principal amount of ARCs and YCCs to be separated and the Participant of such Beneficial Owner. In addition, prior to the separation, unless already delivered, such Beneficial Owner or its Broker-Dealer will be required to sign and deliver to the Auction Agent a Master Purchaser's Letter. See "Auction Participants - Master Purchaser's Letter" above.

The Auction Agent will deliver appropriate instructions to the Securities Depository to debit such Linked Securities from and to credit such separated ARCs and YCCs to the account of the Participant specified in the Request To Separate. When such YCCs and ARCs are credited, the beneficial ownership thereof will be recorded at the Securities Depository under separate CUSIP numbers. See "CUSIP Numbers" below.

The Beneficial Owner of ARCs which are not Linked but which were Linked at the close of business on the Regular Record Date immediately preceding an Interest Period ("Newly Separated ARCs") will receive interest on such ARCs at a rate per annum equal to the sum of (i) the Auction Rate or Maximum Rate, as the case may be, applicable to such Interest Period and (ii) the Service Charge Rate.

A Request To Separate which is submitted to the Auction Agent by 12:00 noon, New York, New York time, on any Business Day (other than during a Closed Period) will, under procedures to be used by the Auction Agent and the Securities Depository, normally result in the separation immediately prior to the close of business on the next Business Day.

CUSIP NUMBERS

The CUSIP numbers for YCCs, Regular ARCs, Newly Separated ARCs, Regular Linked Securities and Newly Linked Securities, respectively, are as follows:

	CUSIP Number 797391-	September 1, 2007	September 1, 2012
YCCs		HZ5	JE0
Regular ARCs*		HX0	JC4
Newly Separated ARCs**		HW2	JB6
Regular Linked Securities		HY8	JD2
Newly Linked Securities**		HV6	JA8

* Regular ARCs are ARCs which are not Linked with YCCs and which are not Newly Separated ARCs.

** All Newly Separated ARCs and Newly Linked Securities will automatically become Regular ARCs and Regular Linked Securities, respectively, on each Auction Date.

MANDATORY TENDER OF ARCS

Any beneficial owner of YCCs may, at any time and from time to time, notify a Broker-Dealer that such beneficial owner desires to purchase ARCs of the same Maturity Date in an aggregate principal amount equal to $100,000 or any integral multiple thereof on the date specified in such notice (a "Tender Date") by book-entry transfer of such ARCs to the account of the Participant of such Beneficial Owner identified in such notice. Such Tender Date shall not be less than thirty Business Days after the date of such Tender Demand and shall not be later than the Business Day next preceding the first day of the next Closed Period. The purchase price (the "Tender Price") shall equal the principal amount of ARCs being purchased (in the case of Regular ARCs) plus accrued interest from and including the preceding Interest Payment Date to, but excluding, the Tender Date at the respective Applicable ARC Rate less the Service Charge Rate.

Such Broker-Dealer shall give the Securities Depository, the Auction Agent and the Trustee written notice (a "Tender Demand") stating that such Beneficial Owner is the beneficial owner of a specified stated amount of YCCs and that such Beneficial Owner wishes to purchase an equal principal amount of ARCs of the same maturity on a specified Tender Date for Linking with such YCCs. Any Tender Demand shall be given to the Securities Depository, the Trustee and the Auction Agent no later than the Business Day following receipt by the Broker-Dealer of the notice from the Beneficial Owner of such ARCs.

On the second Business Day following the day of the Securities Depository's receipt of a Tender Demand, the Securities Depository shall select, by lot in such manner (selecting first from Regular ARCs and then from Newly Separated ARCs) as it shall determine from a position listing of the aggregate stated amounts of Regular ARCs and Newly Separated ARCs as of the close of business on the date of such Tender Demand, the Regular ARCs and Newly Separated ARCs to be tendered. The Securities Depository shall give the Participant for the Regular ARCs or Newly Separated ARCs so selected and the Auction Agent written notice (a "Tender Notice") thereof. Such Tender Notice shall specify the Tender Date set forth in such Tender Demand, the amount of Regular ARCs and or Newly Separated ARCs to be tendered by such Participant on the Tender Date and the Tender Price thereof. Each Tender Notice shall be mailed to such Participant and the Auction Agent by first class mail postage prepaid, no later than the second Business Day following the date of the Securities Depository's receipt of such Tender Demand. On receipt of the Tender Notice, the Auction Agent shall contact such Participant to request such Participant to disclose to the Auction Agent the Existing Holders of the Regular ARCs or Newly Separated ARCs so specified in the Tender Notice. In the absence of receiving any such information with respect to an Existing Holder, from such Existing Holder's Participant or otherwise, the Auction Agent may continue to treat such Existing Holder as the Beneficial Owner of the stated amount of Regular ARCs or Newly Separated ARCs shown in the Auction Agent's registry.

The ARCs specified in a Tender Notice are subject to mandatory tender on the Tender Date specified therein against payment of the Tender Price specified therein. On such Tender Date, the Beneficial Owner of the YCCs who has caused the Tender Demand to be submitted shall cause its Broker-Dealers to forward such Tender Price through the Securities Depository to such Existing Holders' Participants immediately available funds by 2:00 P.M., New York, New York time. The Securities Depository shall deliver such ARCs against payment therefor by book-entry transfer on the Tender Date to the account of the Broker-Dealer without any action on the part of or on behalf of the Beneficial Owners of the ARCs. Upon receipt of such ARCs on the Tender Date, the Broker-Dealer shall deliver such ARCs against payment therefor by book-entry transfer to the account of the Participant specified by the Beneficial Owner of the YCCs if not such Broker-Dealer. Such Beneficial Owner of YCCs and the Broker-Dealer which submitted the Tender Demand shall thereupon take all actions required to have such YCCs and the Regular ARCs or Newly Separated ARCs, as the case may be, Linked prior to the next succeeding Closed Period.

In the event that any Beneficial Owner of YCCs that has submitted a Tender Demand fails to provide the Tender Price for the purchase of the stated amount of ARCs specified therein on the Tender Date therefor, the purchase of such principal amount of ARCs shall not take place on such Tender Date, and in such event such principal amount of ARCs shall be deemed to be subject to a Submitted Sell Order for purposes of the next succeeding Auction. The foregoing provisions shall not, however, be deemed to limit the obligations of a Beneficial Owner of YCCs to pay the Tender Price specified in any Tender Notice given on behalf of such owner, or to reimburse any Broker-Dealer or other person on account of the payment of such Tender Price.

The giving of a Tender Notice with respect to a Regular ARCs or Newly Separated ARCs shall supersede any Order given by the Existing Holder of such ARCs with respect to such ARCs for the Auction next following the Tender Date specified in the Tender Notice.

SELECTION OF ARCS AND YCCS TO BE REDEEMED

The YCCs and the ARCs may be redeemed only in Authorized Denominations. The aggregate amount of the YCCs and the ARCs to be redeemed will be selected from Regular Linked Securities and from Newly Linked Securities proportionally in accordance with the relative amounts thereof, and the remaining amount of ARCs to be redeemed shall be selected from ARCs and Newly Separated ARCs (on a pro rata basis in accordance with the relative principal amounts thereof) on the Redemption Record Date.

SPECIAL CONSIDERATIONS

Prospective purchasers of the YCCs and ARCs should note the following:

The increases and decreases in market value of the YCCs can be expected to vary to a much greater extent than the changes in market value of an equal principal amount of fixed rate bonds bearing interest at one-half the Reference Rate and having similar credit quality, redemption provisions and maturity (excluding in such comparison any potential premium paid or received for the YCCs beyond that which would be paid for such fixed rate bonds).

Because the interest rate with respect to the YCCs will be determined by subtracting the Applicable ARC Rate from a fixed amount, the interest rate on the YCCs will:

decrease as the Applicable ARC Rate increases, and
increase as the Applicable ARC Rate decreases.

In addition, as a result, the interest rate with respect to the YCCs will equal zero if the Applicable ARC Rate is equal to the Reference Rate, 11.00% per annum for the ARCs and YCCs due September 1, 2007 and 11.25% for the ARCs and YCCs due September 1, 2012.

Under the terms of the Trust Agreement, the Market Agent may, in the event of a Change of Preference Law, adjust the percentage used to determine the Minimum Rate or the Applicable Percentages used to determine the Maximum Rate. See the information above under "Auctions Procedures - Changes in Percentages Used in Determining Minimum Rate, Maximum Rate and Default Rate." Any such adjustment could result in a higher Applicable ARC Rate for future Interest Periods and, therefore, a lower interest rate with respect to YCCs for such periods. In addition, the rates at which the Auction Agent Fee and the Broker-Dealer Fee accrue may be changed as described above under "Auction Procedures - Concerning the Auction Agent" and "-Broker-Dealers." Assuming a constant Auction Rate, any increase in either the Auction Agent Fee Rate or the Broker-Dealer Fee Rate would result in a lower interest rate on the YCCs.

In order to Link YCCs with ARCs, a Beneficial Owner of YCCs must have purchased a like principal amount of ARCs to be Linked. See the information above under "Linkage of YCCs with ARCs." The County is not obligated to provide YCCs to a Beneficial Owner of ARCs who desires to Link such ARCs with the YCCs held by such Beneficial Owner. A Beneficial Owner of YCCs may be able to acquire ARCs by bidding in the next succeeding Auction for ARCs, provided that the Beneficial Owners of ARCs do not submit Hold Orders covering all of the ARCs in the Auction. In such event, no ARCs would be available for purchase at any rate bid by such Beneficial Owner of YCCs in that Auction. See information above under "Auction Procedures." A Beneficial Owner of YCCs who bids at zero percent (0%) in such Auction may elect to require ARCs to be tendered to it for purchase. See information above under "Mandatory Tender of ARCs." Otherwise, a Beneficial Owner of YCCs might be able to purchase ARCs in the secondary market, outside of Auctions, through a Broker-Dealer prior to the next scheduled Auction for ARCs; however, an active secondary market for the ARCs is not expected to develop, other than in Auctions.

MORGAN STANLEY & CO. INCORPORATED HAS ADVISED THE COUNTY THAT IT INTENDS INITIALLY TO MAKE A MARKET FOR THE YCCS AND FOR THE ARCS BETWEEN AUCTIONS; HOWEVER, MORGAN STANLEY & CO. INCORPORATED IS NOT OBLIGATED TO MAKE SUCH MARKETS AND MAY DISCONTINUE THE MAKING SUCH MARKETS AT ANY TIME WITHOUT NOTICE. NEITHER THE COUNTY NOR MORGAN STANLEY & CO. INCORPORATED CAN GIVEN ANY ASSURANCE THAT SECONDARY MARKETS THEREFORE WILL DEVELOP.

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APPENDIX I

AUCTION PROCEDURES

The Auction Procedures, as defined in the Trust Agreement, consist of Exhibit C of the Trust Agreement as set forth below. All of the terms used in this APPENDIX I are defined herein or in the other part of this Official Statement. The headings below do not appear in the Trust Agreement and have been included herein for convenience only.

Orders by Existing Holders and Potential Holders

Subject to the provisions of subsection (b) of Exhibit C, Auctions shall be conducted on each Auction Date, in the following manner:

(a)(i) Prior to the Submission Deadline on each Auction Date:

(A) each Existing Holder of Auction Rate Notes (the "ARCs") may submit to a Broker-Dealer information as to:

(I) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(II) the principal amount of Outstanding ARCs, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or

(III) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period;

and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARCs which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(I), (A)(II), (A)(III) or (B) of this paragraph (i) is referred to herein as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is referred to herein as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in (x) clause (A)(I) of this paragraph (i) is referred to herein as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(II) or (B) of this paragraph (i) is referred to herein as a "Bid" and collectively as "Bids" and (z) clause (A)(III) of this paragraph (i) is referred to herein as a "Sell Order" and collectively as "Sell Orders."

(ii)(A) Subject to the provisions of subsection (b) of Exhibit C a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in Exhibit C shall be less than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of Outstanding ARCs, to be determined as set forth in Clause (D) of paragraph (i) of subsection (d) of Exhibit C, if the Auction Rate determined as provided in Exhibit C shall be equal to the rate specified in such Bid; or

(III) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in clause (C) of paragraph (ii) of subsection (d) of Exhibit C if the rate specified in such Bid shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist,

in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof.

(B) Subject to the provisions of subsection (b) of a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding ARCs specified in such Sell Order if Sufficient Clearing Bids exist; or

(II) such principal amount or a lesser principal amount of Outstanding ARCs determined pursuant to clause (C) of paragraph (ii) of subsection (d) of Exhibit C if Sufficient Clearing Bids do not exist.

in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof.

(C) Subject to the provisions of subsection (b) a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(I) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in Exhibit C shall be higher than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of Outstanding ARCs determined pursuant to clause (E) of paragraph (i) of subsection (d) of Exhibit C if the Auction Rate determined as provided in Exhibit C shall be equal to the rate specified in such Bid.

in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof.

Submission of Orders of Broker-Dealers to Auction Agent

(b)(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer, specifying with respect to each such Order:

(A) the name of the Bidder placing such Order;

(B) the aggregate principal amount of ARCs that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(I) the principal amount of ARCs, if any, subject to any Hold Order placed by such Existing Holder;

(II) the principal amount of ARCs, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(III) the principal amount of ARCs, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding ARCs held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) None of the County, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding ARCs held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of ARCs held by such Existing Holder, and, if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of outstanding ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover in the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

(B)(I) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(II) subject to subclause (J) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the stated amount of ARCs subject to each Bid with the same rate shall be reduced pro rata to cover in the aggregate only the principal stated amount of ARCs equal to such excess;

(III) subject to subclause (I) and (II) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(IV) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for ARCs is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARCs not equal to $100,000 or a whole multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARCs not equal to $100,000 or a whole thereof shall be rejected.

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the Minimum Rate shall be treated as a Bid specifying the Minimum Rate and each such Bid shall be considered as valid and shall be selected in the ascending order of their respective rates in the Submitted Bids.

(ix) Submitted Orders shall be irrevocable after the Submission Deadline.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate.

(c)(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding ARCs over the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being herein referred to as the "Available ARCs"); and

(B) from such Submitted Orders whether the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate exceeds or is equal to the sum of:

(I) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate: and

(II) the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders

(in the event such excess or such equality exists (other than because the sum of the principal amounts of ARCs in subclauses (II) and (III) above is zero because all of the Outstanding ARCs are subject to Submitted Hold Orders), such Submitted Bids in subclause (I) above being herein referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate") such that if:

(I)(aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of ARCs subject to such Submitted Bids; and

(II)(aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

the result would be that such Existing Holders described in subclause (I) above would continue to hold an aggregate principal amount of Outstanding ARCs which, when added to the aggregate principal amount of Outstanding ARCs to be purchased by such Potential Holders described in subclause (II) above, would equal not less than the Available ARCs.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the County and the Trustee of the Maximum Rate and the Minimum Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum Rate; or

(C) if all Outstanding ARCs are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period shall be equal to the Minimum Rate.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of ARCs

(d) Existing Holders shall continue to hold the principal amount of ARCs that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to paragraph (i) of subsection (c) of Exhibit C, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, so that each such Existing Holder shall continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, so that such Existing Holder shall continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid, unless the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids shall be greater than the principal amount of ARCs (the "remaining principal amount") equal to the excess of the Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, so that such Existing Holder shall continue to hold the principal amount of ARCs subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the remaining principal amount by a fraction of the numerator of which shall be the principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the balance of each such Submitted Bid shall be accepted; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only for a principal amount of ARCs obtained by multiplying the excess of the aggregate principal amount of Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the balance of each such Submitted Bid shall be rejected.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), subject to the provisions of paragraph (iv) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be rejected, so that such Existing Holders shall continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Potential Holders to purchase the aggregate principal amount of ARCs subject to such Submitted Bids; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus requiring each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARCs subject to such Submitted Bid or Submitted Sell Order, but in both cases only for an aggregate principal amount of ARCs obtained by multiplying the aggregate principal amount of ARCs subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids and Submitted Sell Orders, and the balance of each such Submitted Bid and Submitted Sell Order shall be rejected.

(iii) If all Outstanding ARCs are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARCs that is not equal to \$100,000 or a whole multiple thereof the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of ARCs to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARCs purchased or sold by each Existing Holder or Potential Holder shall be equal to \$100,000 or a whole multiple thereof, even if such allocation results in one or more of such Potential Owners not purchasing any ARCs.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARCs to be purchased and the aggregate principal amount of ARCs to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARCs to be sold differs from such aggregate principal amount of ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be beneficial ownership of ARCs.

(f) The County, the Trustee and the Auction Agent shall have no liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to this Exhibit C.

(g) The Trustee shall not be responsible for nor have any liability with respect to the failure or error of the Auction Agent to make any determination provided in this Exhibit C.

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APPENDIX J

SETTLEMENT PROCEDURES

Capitalized terms used herein shall have the respective meanings specified in APPENDIX E AND APPENDIX H of this Official Statement.

(a) On each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Holder or Potential Holder of:

(i) the Auction Rate fixed for the next succeeding Interest Period for ARCs;

(ii) whether Sufficient Clearing Bids have been made for the determination of the interest rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of ARCs, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of ARCs, if any, to be purchased by such Potential Holder;

(v) if the aggregate principal amount of ARCs to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different than the aggregate principal amount of ARCs to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Participant, if any, of each such other Broker-Dealer) and the principal amount of ARCs to be (x) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (y) sold to one or more Potential Holders on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the scheduled Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder is required to:

(i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of ARCs to be purchased pursuant to such Bid against receipt of such principal amount of ARCs;

(iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, or a Sell Order that was accepted, in whole or in part, to instruct such Bidder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of ARCs to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the interest rate for the next succeeding Interest Period with respect to ARCs;

(v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the scheduled Auction Date for the next succeeding Auction; and

(vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the scheduled Auction Date for the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any ARCs received by it pursuant to paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealers identified to it by the Auction Agent pursuant to paragraph (a)(v) above.

(d) On the Business Day immediately succeeding the Auction Date, the Securities Depository will execute the transactions described above, debiting and crediting the accounts of the respective Participants as necessary to effect the purchases and sales of ARCs as determined in the Auction.

APPENDIX K

MASTER PURCHASER'S LETTER

Relating to Securities Involving Rate Settings through Auctions

To: The Company
The Auction Agent
A Broker-Dealer
A Participant
Other Persons

1. This letter is designed to apply to auctions for publicly or privately offered debt or equity securities ("Securities") of any issuer ("Company") which securities are described in any final prospectus or other offering material relating to such Securities as the same may be amended or supplemented (collectively, with respect to the particular Securities concerned, the "Prospectus") and which involve periodic rate settings through auctions ("Auctions"). This letter shall be for the benefit of any Company and of any trust company or auction agent (collectively, "trust company"), broker-dealer, agent member, securities depository or other interested person in connection with any Securities and related Auctions (it being understood that such persons may be required to execute specified agreements and nothing herein shall alter such requirements). The terminology used herein is intended to be general in its application and not to exclude any Securities in respect of which (in the Prospectus or otherwise) alternative terminology is used.

2. We may from time to time offer to purchase, purchase, offer to sell and/or sell Securities of any Company as described in the Prospectus relating thereto. We agree that this letter shall apply to all such purchases, sales and offers and to Securities owned by us. We understand that the dividend/interest rate on Securities may be based from time to time on the results of Auctions as set forth in the Prospectus.

3. We agree that any bid or sell order placed by us shall constitute an irrevocable offer by us to purchase or sell the Securities subject to such bid or sell order, or such lesser amount of Securities as we shall be required to sell or purchase as a result of such Auction, at the applicable price, all as set forth in the Prospectus, and that if we fail to place a bid or sell order with respect to Securities owned by us with a broker-dealer on any auction date, or a broker-dealer to which we communicate a bid or sell order fails to submit such bid or sell order to the trust company concerned, we shall be deemed to have placed a hold order with respect to such Securities as described in the Prospectus. We authorize any broker-dealer that submits a bid or sell order as our agent in Auctions to execute contracts for the sale of Securities covered by such bid or sell order. We recognize that the payment by such broker-dealer for Securities purchased on our behalf shall not relieve us of any liability to such broker-dealer for payment for such Securities.

4. We agree that, during the applicable period as described in the Prospectus, dispositions of Securities can be made only in the denominations set forth in the Prospectus and we will sell, transfer or otherwise dispose of any Securities held by us from time to time only pursuant to a bid or sell order placed in an Auction, to or through a broker-dealer or, when permitted in the Prospectus, to a person that has signed and delivered, or caused to be delivered on its behalf, to the applicable trust company a letter substantially in the form of this letter (or other applicable purchaser's letter), provided that in the case of all transfers other than pursuant to Auctions we or our broker-dealer or our agent member shall advise such trust company of such transfer. We understand that a restrictive legend will be placed on certificates representing the Securities and

stop-transfer instructions will be issued to the transfer agent and/or registrar, all as set forth in the Prospectus. We agree to comply with any transfer restrictions or other related procedures as described in the Prospectus.

5. We agree that, during the applicable period as described in the Prospectus, ownership of Securities shall be represented by a global certificate registered in the name of the applicable securities depository or its nominee, that we will not be entitled to receive any certificate representing the Securities and that our ownership of any Securities will be maintained in book-entry form by the securities depository for the account of our agent member which in turn will maintain records of our beneficial ownership. We authorize and instruct our agent member to disclose to the applicable trust company such information concerning our beneficial ownership of Securities as such trust company shall request.

6. We acknowledge that partial deliveries of Securities purchased in Auctions may be made to us and such deliveries shall constitute good delivery as set forth in the Prospectus.

7. This letter is not a commitment by us to purchase any Securities.

8. This letter supersedes any prior-dated version of this master purchaser's letter and supplements any prior or post-dated purchaser's letter specific to particular Securities; any recipient of this letter may rely upon it until such recipient has received a signed writing amending or revoking this letter.

9. The descriptions of Auction procedures set forth in each applicable Prospectus are incorporated by reference herein and, in case of any conflict between this letter and any such description, such description shall control.

10. Any photocopy or other reproduction of this letter shall be deemed of equal effect as a signed original.

11. Our agent member of the securities depository currently is ________________.

12. Our personnel authorized to place order with broker-dealers for the purposes set forth in the Prospectus in Auctions currently is/are ________________, telephone number (__)_____.

13. Our taxpayer identification number is ________________.

14. We agree that, during the applicable periods described in the Prospectus, if we decide to link our beneficial ownership of any Securities with our beneficial ownership of other debt of the County of San Diego, or if we decide to break any such linkage, we will instruct our agent member and our broker-dealer to link such beneficial ownership or break such linkage in accordance with the procedures set forth in the Prospectus, and we acknowledge that such instructions must be submitted through the applicable trust company and may not be given during certain periods described in the Prospectus.

Dated:
(Name of Purchaser)
By:
Print Name:
Title:
Mailing Address of Purchaser:

APPENDIX L

SPECIMEN INSURANCE POLICY

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AMBAC Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of AMBAC, nor against any risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the countersignature of its duly authorized representative.

President

AMBAC INDEMNITY CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Form # S66-0003 (8/92)

AMBAC®

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin Street
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, New York 10004

Endorsement

Policy issued to:

Attached to and forming part of

Effective Date of Endorsement:

In the event that AMBAC Indemnity Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California. Payments due under the Policy with respect to the Bonds, as defined in the Policy, may not be accelerated by the issuer of, the obligor on, or any trustee or paying agent for, the Bonds.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding on the Company by virtue of countersignature by its duly authorized agent.

AMBAC Indemnity Corporation

President

AMBAC INDEMNITY CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Authorized Representative